

UCL - CReAM Press Release

The Benefit of Migration: new evidence of the fiscal costs and benefits of migration to the UK from Central and Eastern Europe

Immigrants from the eight Central and Eastern European countries that joined the European Union in May 2004 are less likely to be claiming welfare benefits and less likely to be living in social housing than people born in the UK, according to a new paper from UCL. What is more, they have made a positive contribution to the UK fiscal system, paying more in taxes than they receive in direct and indirect public transfers (such as benefits, NHS healthcare and education).

These are the central findings of the most comprehensive analysis to date of the fiscal consequences of migration to the UK following EU enlargement to take in the so-called 'A8 countries' – the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia, Slovenia and Poland.

The research report – written by Professor Christian Dustmann, Tommaso Frattini and Caroline Halls from the Centre for Research and Analysis of Migration (CReAM) at UCL (University College London) – provides an analysis of the fiscal contribution of A8 immigrants in the four years after accession. It shows that:

- A8 immigrants who arrived after EU enlargement in 2004, and who have at least one year of residence – and are therefore legally eligible to claim benefits – are about 60% less likely than natives to receive state benefits or tax credits, and to live in social housing.
- Comparing the net fiscal contribution of A8 immigrants with that of individuals born in the UK, in each fiscal year since enlargement in 2004, A8 immigrants made a positive contribution to public finance.
- In the latest fiscal year, 2008/09, A8 immigrants paid 37% more in direct or indirect taxes than was spent on public goods and services which they received. This is even more remarkable because the UK has been running a budget deficit over the last few years.

The study also shows that on average, A8 workers have a better educational background than UK-born workers, but receive lower wages - especially in the period immediately after coming to the UK. Despite this disparity, A8 immigrants are net contributors to the public finances.

The main reason for this is that they have a higher rate of labour force participation (increasing the number of fiscal contributors), and make less use of benefits and public services.

For example, in 2008/09, A8 immigrants represented 0.91% of the total UK population, but contributed 0.96% of total tax receipts and accounted for only 0.6% of total expenditures.

Prof. Christian Dustmann, director of CReAM and co-author of the study says: “Our research contributes important facts to the debate on the costs and benefits of A8 immigration. It shows that A8 immigrants are far less likely to live in social housing or to claim benefits. We were surprised about the large net fiscal contribution made by these immigrants, given their relatively low wage position in the UK labour market.”

What is the outlook for the next few years? Dustmann draws a positive picture:

“A8 immigrants are on average more educated than natives and figures show that they experience rapid wage growth during their stay in the UK. We should therefore expect their tax payments to increase considerably over the next few years.”

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Notes for editors

Contact details:

For further information please contact Dave Weston in the UCL Press Office on +44 (0) 20 7679 7678 or d.weston@ucl.ac.uk

The investigation is based on data from the British Labour Force Survey, as well as on a multitude of official reports from several Government Departments. Combining these data with tax receipts data from the Budget Reports and with expenditures data from the Public Expenditure Statistical Analyses published by HM Treasury, the researchers allocate expenditures and tax receipts to A8 immigrants and natives. The research considers several alternative allocation scenarios. In all scenarios, the net contribution of A8 immigrants is positive.

The research was conducted by Christian Dustmann, Tommaso Frattini and Caroline Halls from UCL's Centre for Research and Analysis of Migration (CReAM). The paper is a CReAM Discussion Paper (DP 18/09) and will be published at:

<http://www.econ.ucl.ac.uk/cream/publicationsdiscussionpapers.htm>

About CReAM (Centre for Research and Analysis of Migration):

CReAM is an independent and interdisciplinary research centre located in the Department of Economics at University College London. CReAM's research focuses on the causes, patterns and consequences of international population mobility and movements affecting UK, Europe and associated global processes. CReAM aims at informing the public debate on migration in the UK and in Europe by providing new insight, helping to steer the current policy debate in a direction that is based on carefully researched evidence without partisan bias. For further information see:

www.econ.ucl.ac.uk/Cream

About UCL (University College London):

Founded in 1826, UCL was the first English university established after Oxford and Cambridge, the first to admit students regardless of race, class, religion or gender, and the first to provide systematic teaching of law, architecture and medicine. UCL is the seventh-ranked university in the 2008 THES-QS World University Rankings, and the third-ranked UK university in the 2008 league table of the top 500 world universities produced by the Shanghai Jiao Tong University. UCL alumni include Marie Stopes, Jonathan Dimbleby, Lord Woolf, Alexander Graham Bell, and members of the band Coldplay. UCL currently has over 12,000 undergraduate and 8,000 postgraduate students. Its annual income is over £600 million. For further information see: www.ucl.ac.uk