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Response to TUC report on the economics of immigration

1. A TUC report into the impact of migration on the UK's economy and its workers, published in June, concluded that:

- The overall economic impact of immigration is limited but positive.
- Migrants contribute more in taxes than they receive in benefits and services.
- Migration leads to higher levels of employment and wages for native workers.
- It possibly leads to wage inequality but the evidence is not conclusive.

Our own conclusions are at paragraph 6.

Analysis

2. The report relies on existing studies and government claims regarding migration. Many of these studies are flawed as has previously been pointed out by Migration Watch. For instance:

(a) GDP

Studies of GDP growth attributable to migration cited by the TUC look at the impact of migration on overall growth rates. Of course, immigrants will add to GDP any growth in the working population will do so but they also add to population. The TUC report cites the National Institute of Economic and Social research study into the economic impact of migration. This suggests that GDP has grown by 3.1% as a result of immigration since 1998. The same report, however, shows that this growth in GDP has resulted from a total of 2,249,000 immigrants who settled here in that period about 3.85% of the population. It notes that the increase in GDP will be greater if capital has accumulated to match the growth in labour input. However, it does not take account of the impact on population which will be even more than 3.85% if UK-born children of migrants are taken into account. Thus, on these figures and taking these factors together, migration appears to have had little or no impact on raising GDP per head. (See also Migration Watch briefing paper 1.16 for a fuller analysis).

(b) Tax contribution

The studies cited are a Home Office study and a subsequent update by the IPPR. The original Home Office study claimed that migrants made a net contribution of about 2.5 billion in 1999/2000 but overlooked the fact that there was a considerable fiscal surplus in that year. The IPPR study looked at the relative fiscal contribution of migrant and native workers and concluded that

migrants contributed more than natives. However, both reports contained a further basic flaw which was to attribute the costs of children of mixed marriages entirely to the native population. Correcting for this showed that migrants both contributed less on average than the native population and also that they contributed slightly less than they received in benefits and services in 1999/2000. (See Migration Watch briefing paper 1.10 for a full analysis.)

(c) Employment and wages

The TUC are able to conclude only that overall levels of employment and wages are slightly higher as a result of immigration. They cite very little evidence for this contention. However, it is at least possible that immigration has added to the high-levels of youth unemployment (18-24 year olds) which is 70,000 higher than in 1998. The number of young people not in education, employment or training has also increased since then from just under a million in 1998 to 1.2 million in 2006. At the very least it seems likely that an increased supply of labour will tend to reduce or constrain wage increases. This is the claim made by both the government and the Governor of the Bank of England in support of their lax immigration policies.

Skills

3. The Scottish TUC, at a 2006 conference addressing the impact of migration on the Scottish economy, concluded that immigration is not an alternative to up-skilling our indigenous population, nor should immigration be seen as an alternative to labour market policies that target those on incapacity and unemployment benefits and helping them back to work. However, employers who have a choice between bearing the costs of training their own workforce and recruiting a fully skilled migrant worker may well choose the latter. The same applies to those who have been unemployed or on disability benefits.

4. The Director General of the British Chambers of Commerce recently put the point still more strongly:

"Skilled, work hungry migrants are masking the tragic lack of skills so many of our skill leavers have. A generation is in danger of going from school straight to welfare with no experience of work and the government must recognise the danger that this presents."

Housing

5. The TUC also fails to take account of the wider impact of large-scale immigration on the well-being of their members. The most obvious impact is on housing. Prices have increased dramatically in recent years. According to the think-tank Reform, the average price for first time buyers is now 8 times average earnings for those aged 22-29 - up from 5 times in 1999 when interest rates were similar to the present. This has a critical impact on all those entering the housing market and is often cited as a reason why it is difficult to attract key workers such as teachers and nurses to urban areas many are, of course, union members. A key factor in this increase has been that the rate of household formation has outstripped supply of new homes. According to the government, net migration is responsible for about one third of new household formation. Clearly, if immigration was lower there would be a better balance between supply and demand. It is, of course, possible to meet the increased demand by increasing the house building programme but this would impact in other ways on peoples quality of life through building on the green belt and increased congestion. Again according to the government, we will have to build 200 houses a day for the next 20 years to house new immigrants.

Conclusion

6. Nobody disputes that limited immigration is beneficial but it is very hard to see how mass immigration can be in the interests of trades union members. Unskilled immigration puts downward pressure on wages while skilled immigration reduces the incentive for employers to train and re-train British workers. Furthermore, it is working class areas which are most affected by the additional pressure on housing, schools and hospitals.

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