

UK MIGRATION: OPTIMISING PRODUCTIVITY AND GROWTH

2023

 Home Office
 UK Visas
Immigration

Table of Contents

1. CHAIRMANS INTRODUCTION
2. THE INDEPENDENT BUSINESS NETWORK
3. EXECUTIVE SUMMARY AND OUR RECOMMENDATIONS
4. ECONOMIC PRODUCTIVITY
5. PRESENT UK IMMIGRATION: BENEFICIAL OR COSTLY FOR PRODUCTIVITY AND GROWTH?
 - I) CURRENT IMMIGRATION SYSTEM
 - II) REASONS FOR IMMIGRATION
 - III) EFFECTS OF MIGRANT PROVENANCE
 - IV) COSTS TO BUSINESSES OF HIRING MIGRANT WORKERS
 - V) IMPACT OF MIGRANT WORKERS ON BRITISH-BORN WORKER PRODUCTIVITY
 - VI) BENEFITS TO THE UK ECONOMY OF MIGRANT WORKERS
 - VII) COSTS TO THE UK ECONOMY OF MIGRANT WORKERS
 - VIII) BENEFITS AND COSTS TO THE UK ECONOMY OF STUDENT MIGRANTS
6. PRESENT UK EMIGRATION: BENEFICIAL OR COSTLY FOR PRODUCTIVITY AND GROWTH?
 - I) REASONS FOR EMIGRATION
 - II) IS EMIGRATION A COST TO THE UK ECONOMY?
7. FUTURE UK MIGRATION TRENDS
8. CONCLUSION: UK MIGRATION – BENEFIT OR COST?

1. Chairmans Introduction

For many years there was a dearth of analysis of the economic and other impacts of migration on the U.K. During the Blair years there appeared to be an orchestrated campaign to encourage inward migration in order to boost GDP, thought to be large numbers at the time but on a smaller scale than we are now seeing.

A House of Lords report in the early noughties identified that migrants earning less than a certain amount (producing less economic benefit) were a net burden on the U.K. there seemed to be a deliberate aversion to tackling the issue of migration. The issues addressed in this report are business and economic in nature albeit the proportion of the population who are first- or second-generation migrants by the 2050's and beyond may have profound cultural, societal and values based implications for the U.K. in the future, including on business and employment.

Already we see the capital city, London, is untypical of the rest of the country. The issue of how much and what sort of inward migration and emigration we want to encourage or tolerate will have significant impact on the wealth and well being of the nation and on the business community.

John Longworth
Chairman

2. The Independent Business Network

Small and medium sized enterprises (SMEs) account for 99.9% of UK businesses, an estimated 61% of UK employment (16.3 million people) and 52% of turnover in the UK private sector. Employment within small businesses alone amounts to 12.9 million (48% of total) with a turnover of £1.6 trillion (36%)¹.

The Independent Business Network speaks for the overwhelming majority of businesses across the UK that are SMEs (defined as employing fewer than 250 employees) including small businesses (defined as employing fewer than 50 employees) and micro-businesses (defined as employing fewer than 10 employees) and family-run or family-owned businesses.

We believe that SMEs including family owned and family run businesses must have a greater voice in public policy.

The majority of businesses in the UK are family owned or family run. Including the self-employed, they constitute 84 per cent of the private sector and employ almost 55 per cent of all workers. Smaller businesses generate around two thirds of new jobs in the UK economy² and around 90 per cent of innovation is estimated to come from businesses with less than 100 employees³. These businesses are the backbone of our economy and we must ensure they are allowed to flourish so that we can generate the wealth we need for investment and, via taxation, public services. The Government is right to focus on ensuring that future markets in technology and artificial intelligence have the most competitive environment here in the UK, but it must not forget to ensure that there is fairness for all businesses.

The IBN works to ensure the best possible business environment for our supporters, through lobbying, research papers, and articles in the press and via our social media channels. This research paper is a contribution to creating that environment and we hope the Government will look upon it favourably.

When the Government wants to speak to a constructive business voice the Independent Business Network is ready and eager to engage.

Brendan Chilton
Chief Executive

¹ <https://www.gov.uk/government/statistics/business-population-estimates-2022/business-population-estimates-for-the-uk-and-regions-2022-statistical-release-html>

² BIS, 'SMEs: the Key Enablers of Business Success and the Economic Rationale for Government Intervention', (2013).

³ Hall, D, Entrecode: Unlocking the Entrepreneurial DNA, (2013)

3. Executive Summary and Our Recommendations

CURRENT UK-INTERNATIONAL MIGRATION

In the year to the end of June 2023 a record-breaking total of 1.356 million long-term UK visas were issued⁴. This included grants for:

- work visas (including dependants), up 208,295 (+63%) from 2022 to 538,887; and
- study visas (including dependants), up 165,968 (+34%) from 2022 to 657,208, including sponsored and short-term students.

The 2023 figures are provisional estimates but clearly present another substantial increase from immigration of 1.1 million to the UK in year ending June 2022⁵. Year ending June 2022 numbers represented an increase of 221,000 from year ending June 2021. With emigration at 557,000 in the year ended June 2022, this means that migration continued to add to the British population with a net migration estimate of 606,000 at year end June 2022.

It should be added that the methodology used to calculate migration also changed in January 2021, with asylum seekers and resettled refugees counted for the first time in immigration figures⁶. However, even discounting for record-breaking asylum claims of 63,000 applicants in year ending June 2022 (now counted in the immigration figures)⁷ net migration of 606,000 in year ending June 2022 was still 304,000 greater than net migration of 239,000 in the year to June 2021⁸.

⁴ *Immigration system statistics, year ending June 2023* – UK Home Office, 24 August 2023
<https://www.gov.uk/government/statistics/immigration-system-statistics-year-ending-june-2023/summary-of-latest-statistics>

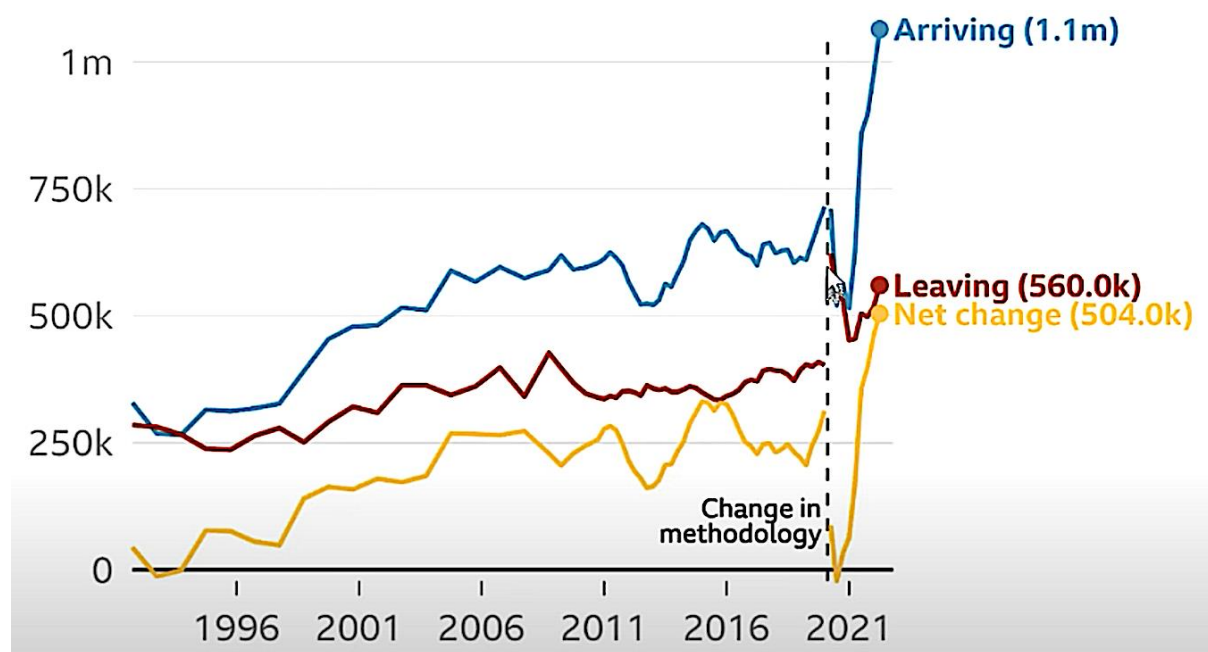
⁵ *Long-term international migration, provisional: year ending June 2022* – Office for National Statistics, 24 November 2022
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/yearendingjune2022>

⁶ *Methods to produce provisional long-term international migration estimates* – Office for National Statistics, last revised 25 May 2023
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/methodologies/methodstoproduceprovisionallongterminternationalmigrationestimates>

⁷ *How many people do we grant asylum or protection to?* – Office for National Statistics, updated 23 September 2022
<https://www.gov.uk/government/statistics/immigration-statistics-year-ending-june-2022/how-many-people-do-we-grant-asylum-or-protection-to#asylum-applications>

⁸ *Long-term international migration, provisional, year ending June 2021* – Office for National Statistics, 26 May 2022
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/june2021>

FIGURE 1 – UK-International Migration 1990 to 2022⁹



Therefore, whether or not net migration to the UK presents more of a cost or a benefit, it is more significant than at any time in history, and it appears to be growing at an accelerating rate.

UK ECONOMIC IMPACT OF UK-INTERNATIONAL MIGRATION

The costs and benefits of migration, it should be said at the outset, can be analysed against numerous outcomes, including environmental, social, cultural and religious metrics. While there may be some positive or negative reinforcement or cross-pollination of these metrics with economic outcomes, they are not the subject of this paper. Rather we have focused our assessment of migration in terms of its effect on productivity and economic growth in the UK.

Although immigration-driven population growth can lead to an increase in Gross Domestic Product (GDP) (because simply more people create a larger economy), a larger population does not necessarily translate to greater productivity and GDP or GDP per capita and prosperity. Indeed UK-international immigration does not appear to have had a notable beneficial impact the UK's GDP. In fact, GDP per capita grew by only 9% between 2012 and 2022 compared with growth of 28% between 1992 and 2002 and 23% between 1982 and 1992, when inward migration was much lower¹⁰. Even allowing for the economic impact of the Covid-19 pandemic in 2020-21, UK GDP per capita, considering the growth trend between 2012 and 2019, would have had a maximum growth of about 16%. This is despite an increase of 28.5% (or about 3.5

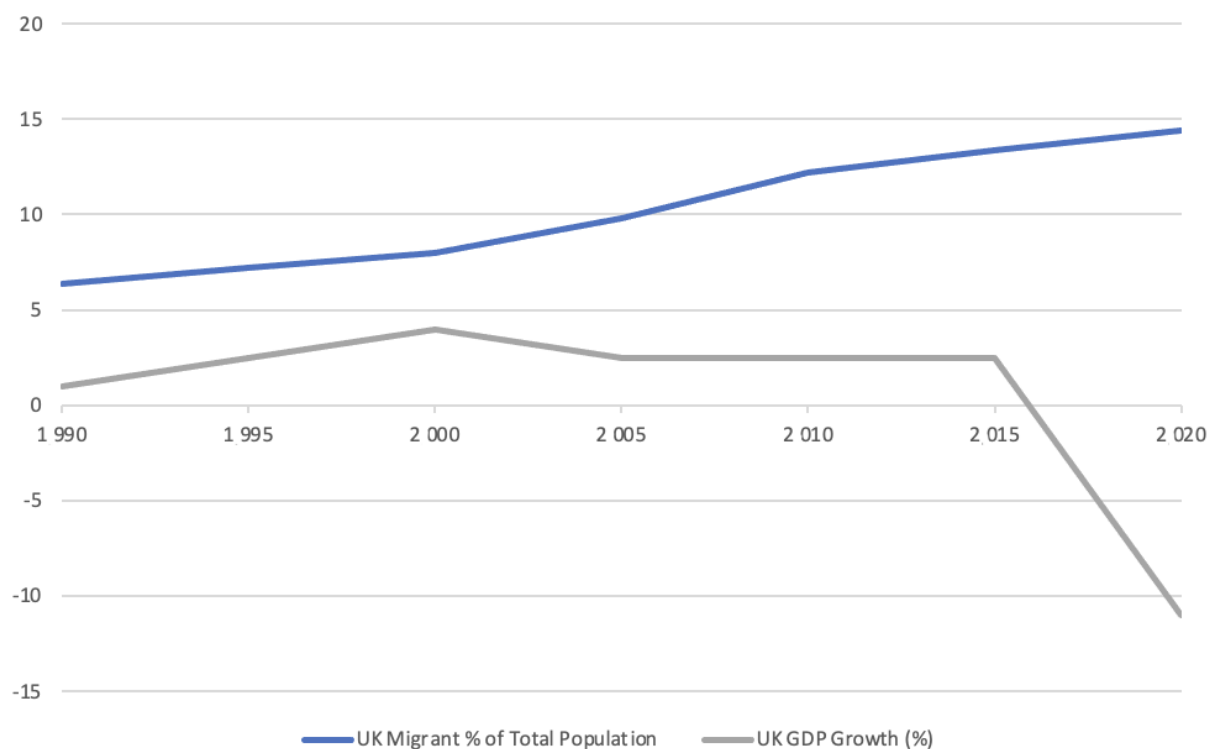
⁹ Source: *UK net migration hits all-time record at 504,000* – BBC News, 24 November 2022 <https://www.bbc.co.uk/news/uk-63743259>

¹⁰ *Gross domestic product per capita in the United Kingdom from 1955 to 2022*, Statista – 11 August 2023 <https://www.statista.com/statistics/970672/gdp-per-capita-in-the-uk/>

million people) in the number of overseas-born workers in UK employment between 2012 and 2022. At the end of 2021 ~ 18% of the UK workforce was born overseas¹¹.

There therefore appears to be no positive correlation between increased inward migration and the wealth and prosperity of the UK. Indeed Figure 2 below shows an inverse (or at best neutral) correlation between the UK GDP growth rate and the size of the migrant (born abroad) population in the UK. (The 2020 plummet in GDP growth can be attributed to Covid-19 and is anomalous).

FIGURE 2 – Migrant Population as a Percentage of Total UK Population vs UK GDP Percentage Growth 1990-2020¹²



If we now compare the UK's productivity level against the UK GDP percentage growth rate between 2000 and 2020 (Figure 3, below), we find the GDP growth has stagnated over this period. Interestingly, UK productivity over the same period grew until the 2008 recession, but since then has also stagnated following the same trajectory as UK GDP growth. (Again the 2000 drop can be attributed to the Covid-19 pandemic and disregarded). Some of the productivity growth until 2008 may be attributed to the influx

¹¹ *Migrants in the UK Labour Market: An Overview*, The Migration Observatory, The University of Oxford – 6 January 2022 <https://migrationobservatory.ox.ac.uk/resources/briefings/migrants-in-the-uk-labour-market-an-overview/>

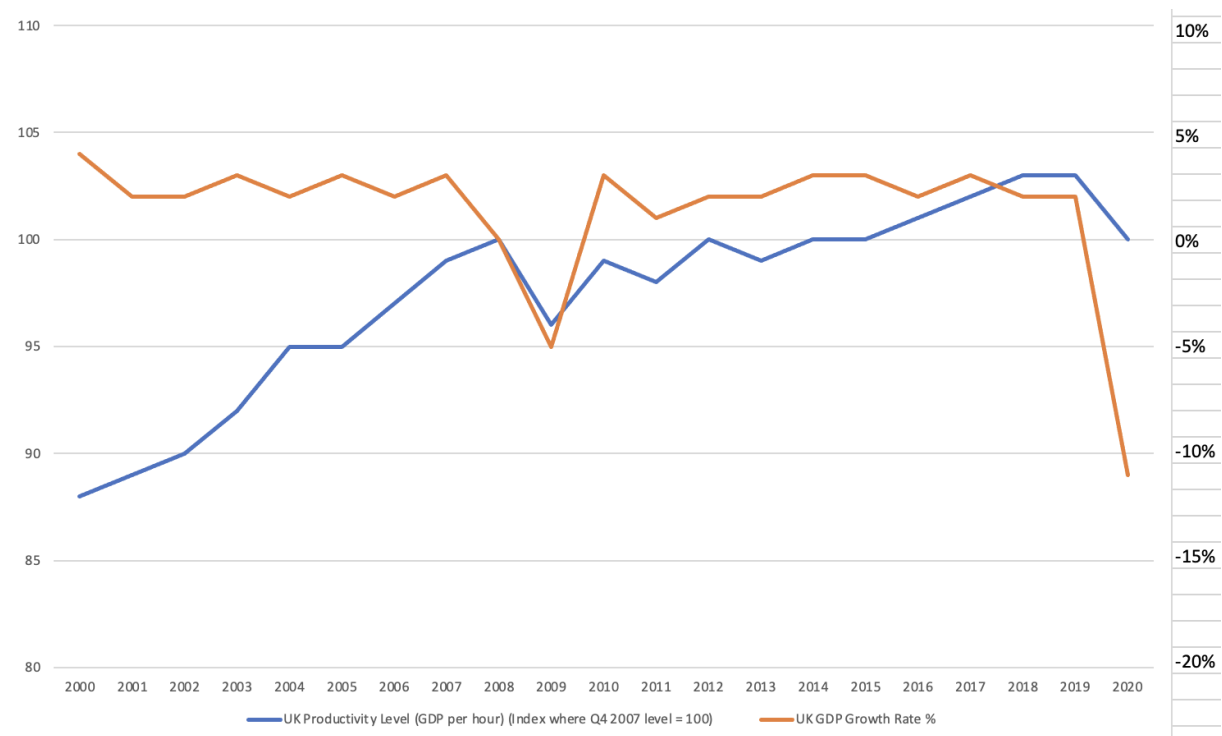
¹² Produced from two data sets: *UK GDP Growth Rate*, Macrotrends 1961-2023 <https://www.macrotrends.net/countries/GBR/united-kingdom/gdp-growth-rate> and *UK Immigration Statistics* 1960-2023 <https://www.macrotrends.net/countries/GBR/united-kingdom/immigration-statistics>

of migrants from central and eastern Europe, although a London School of Economics blog focusing on the period 1997-2008¹³ concludes:

“Our analysis shows that the biggest contributors to productivity increases were the business services and distribution sectors, and they were generated through the increased importance of skills and new technologies.”

A large component of that is likely to have been the rapid growth of online services during this period.

FIGURE 3 – UK Productivity vs UK GDP Growth Rate Percentage 2000-2020¹⁴



Interestingly, during the same period, between 1997 and 2008 growth in migrant workers in the UK – as tracked in Figure 4 below – was matched by growth in UK-born workers¹⁵. Since 2008 growth in migrant workers has outpaced growth in UK-born

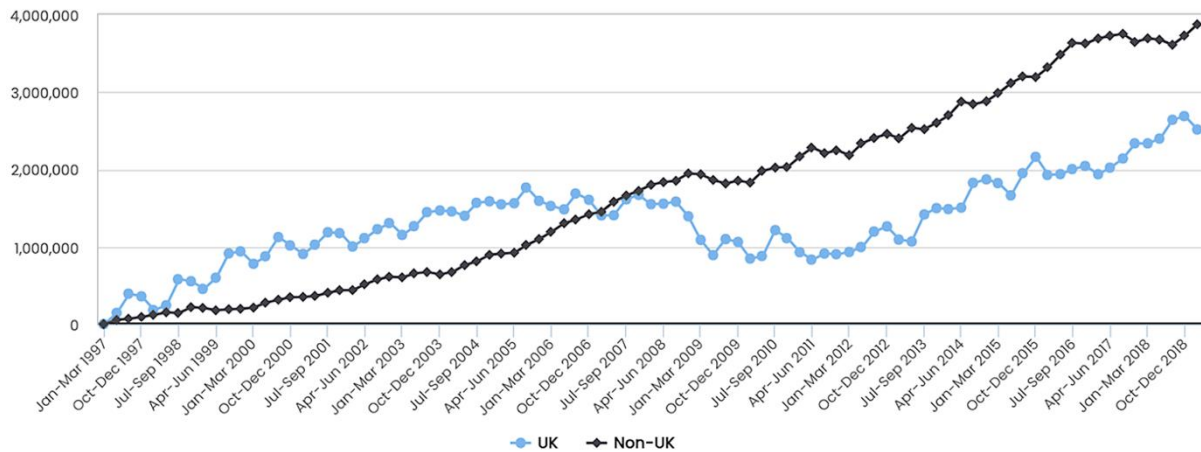
¹³ *UK Growth and Productivity 1997 to 2008*, London School of Economics, 15 November 2011, by Anna Valero, John Van Reenen and Dan Corry <https://blogs.lse.ac.uk/politicsandpolicy/uk-growth-and-productivity-1997-to-2008/>

¹⁴ Produced from two data sets: *UK GDP Growth Rate*, Macrotrends 1961-2023 <https://www.macrotrends.net/countries/GBR/united-kingdom/gdp-growth-rate> and *Productivity: Key Economic Indicators*, House of Commons Briefing Paper Number 02791 – 15 August 2023, by Daniel Harari, with data taken from the Office for National Statistics <https://commonslibrary.parliament.uk/research-briefings/sn02791/>

¹⁵ Although the Home Secretary in 2007, then Jacqui Smith, came under fire for claiming inaccurately that 2 million of the 2.7 million jobs created between 1997 and 2007 – i.e. the majority of new jobs – had gone to British-born workers. A BBC News article dated 30 October 2007: *Smith ‘sorry’ for migrants error* – http://news.bbc.co.uk/1/hi/uk_politics/7068291.stm reports that “the Government has admitted that was now “not technically accurate””.

workers by two to one¹⁶. Yet since 2008 UK productivity and GDP growth have languished.

FIGURE 4 – Change in UK Employment by Country of Birth 1997-2018¹⁷



So what has gone wrong, and how can it be fixed?

There is a great deal of evidence, qualitative and quantitative, and sometimes apparently contradictory, relating to migration. To complicate matters further has been the juxtaposition of legal migration and asylum seeking.

In this paper we will examine the arguments and attempt to determine the best way forward from a UK economic growth and prosperity perspective.

We will ask whether the current system best serves productivity and GDP growth in Britain and whether the system needs to be changed.

¹⁶ *UK Labour Market February 2019*, Office for National Statistics – 19 February 2019
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/ukandnonukpeopleinthelabourmarket/february2019>

¹⁷ Source: *ibid.*

OUR RECOMMENDATIONS IN BRIEF

We opine further in the Conclusion section of this paper, but in summary:

1. Smart and limited immigration of mainly – but not only – skilled (not necessarily highly-paid) workers specifically targeted to fill short-term skills/ workers gaps, informed by businesses, can be beneficial to economic productivity and growth.
2. Unless the return of migrants overstaying work and student visas is enforced, the current rate of immigration is likely to prove excessive and detrimental to prosperity and economic growth in the medium to long-term. This is because migrants who cease to be economically productive become a fiscal burden. Given the considerable difficulties of returning migrants already in the UK, the Government should reconsider a cap on the total number of migrants admitted to the UK each year. It is recognised that some parts of the UK may need immigration more than others to offset regional net emigration, Yet as it is not possible to restrict where migrants settle in the UK, this should be discounted.
3. Dependents of migrants present a fiscal burden for the UK. The system allows dependents of migrants with work visas to apply for dependent visas and guidelines provide that applications that meet the conditions should be granted. However, given the fiscal burden the Government should incentivise migrants without dependents over migrants without dependents.
4. Migrant students make a limited but significant contribution to the UK economy, but their family/ dependents are a net burden. We welcome the Government withdrawing leave to remain for dependents of students from January 2024. However, enforcement action should be taken against student visa overstayers.
5. Immigration can sometimes negatively impact the employment rate of the native population. This is counterproductive to long-term productivity and growth and incubates damaging reputational biases against native workers with negative consequences for productivity. We recommend the Government reinstates the requirement that employers advertise their jobs in the UK before recruiting migrant labour into a skilled job. Employers should also place vacancy advertisements where they are likely to be seen by native workers.
6. Small and medium sized business (SME) employers often operate on tight margins and have limited funds to spend on training and sponsorship fees. They therefore value migrants with pre-existing skills, training and qualifications, and they value high levels of English language proficiency above all other traits. Small business employers see sponsorship costs as a burden and the current length of temporary worker visas as too short and therefore a disincentive. We recommend the duration of Temporary Worker Visas be extended to two years and the cost of sponsorship reduced for SMEs.
7. Emigration has increased in recent years, although not at the same rate as immigration. We recommend that policymakers seek to redress emigration push factors, to retain English-speaking skilled talent in the UK. Reporting of emigration metrics should be improved to capture reasons for emigration.

4. Economic Productivity

Productivity, most often derived from innovation, investment in automation and from enhanced skills is key to economic growth and competitiveness in any economy. It is also key to wealth creation and prosperity. It is usually calculated and expressed as the measure of the value of economic output produced by each worker or by each hour worked. This works well when looking at individual businesses or economic activity but for the purposes of this exercise we are equating productivity with GDP per capita. The ability to improve standards of living depends almost entirely on an economy's ability to raise its output per worker over time¹⁸. Maintaining if not increasing the value of employees by means of their productivity is key to increasing earning potential and thereby expendable income, demand and economic growth¹⁹.

UK GDP per capita is many times higher today than it was in the in the mid 19th century. This enormous economic growth has been driven by higher productivity – additional inputs of capital and labour and especially their more efficient use via innovation. This is called Total Factor Productivity (TFP). Figure 4 below illustrates that over the past century high growth in GDP per capita was associated with annual TFP growth broadly in a range between 1% and 2.5%. However, the rate of that productivity growth has been stuck at about 2% per annum since about 1980²⁰. This fall-off in productivity growth is one of the main reasons for the stagnation in real wages over that period. The reasons why productivity levels in the UK have fallen so much behind is unclear, but the trend appears to be temporally correlated with de-industrialisation. This may be an argument for reinvestment in, and fiscal incentivisation of, manufacturing growth in the UK and also for investment in new technologies and innovation in services. If the value of output per worker does not increase, then there is much less scope for paying workers a higher wage. Lower productivity growth may also indicate latterly a propensity to choose cheap labour rather than investment.

The productivity of the population of an economy²¹ is thus a key factor determining the growth of that economy. Productivity is positively correlated to an extent with the rate of employment in a given population, but also with adaptability, technological advancement and improved efficiency.

Tailored immigration may fill skill gaps and improve productivity in the short-term by filling specific labour gaps in specific sectors, if work is the purpose for migration.

However, we can see from Figure 5 below, that productivity (the growth rate of which had already been declining) has failed to recover since the recession of 2007-2008.

¹⁸ *What Is Productivity and How to Measure It Explained*, Investopedia – updated 28 May 2023
<https://www.investopedia.com/terms/p/productivity.asp#:~:text=Productivity>

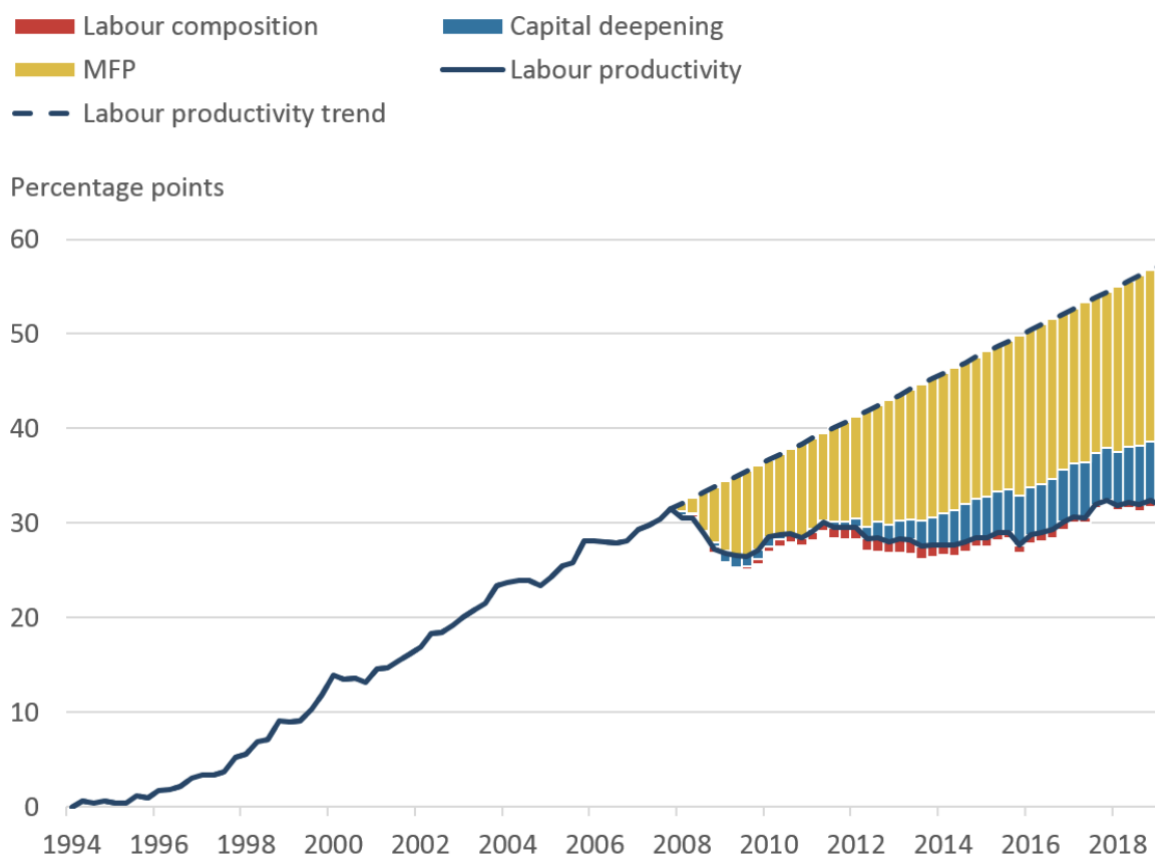
¹⁹ For example, *The Link Between Wages and Productivity is Strong*, by Michael R. Strain, American Enterprise Institute and Institute for the Study of Labor, The Aspen Institute – 3 January 2019
<https://www.aspeninstitute.org/wp-content/uploads/2019/01/3.2-Pgs.-168-179-The-Link-Between-Wages-and-Productivity-is-Strong.pdf>

²⁰ *Trends in the UK Economy*, Office for National Statistics, 27 February 2015
<https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/articles/trendsintheukeconomy/2015-02-27>

²¹ Although the Pareto Principle, for example <https://www.prialto.com/blog/how-to-use-the-pareto-principle> also applies.

Indeed it has nosedived and flatlined since around 2007. Figure 5 shows the largest contributing factor is multi-factor productivity (MFP), which can arise for several reasons including technological progress, economies of scale, changes in management techniques and business processes. This period also corresponds with a period of high immigration:

FIGURE 5 – UK Growth in Output Per Hour from 1994 and Contribution to Productivity Gap from 2008²²



It is arguable that the determination of migrants to reach the UK makes them more adaptable, with higher self-motivation and a determination to succeed. But there is a counterpoint to that: if migration to the UK is made too easy, then these qualities and the productive calibre of migrants reduces. A proliferation in legal services suppliers supporting migrants regardless of their contributory value to the UK economy does not alleviate this problem²³.

²² *Productivity economic commentary: January to March 2019*, Office for National Statistics <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/ukproductivityintroduction/januarytomarch2019>

²³ This is also a phenomenon seen with asylum seeking (which may often be, *de facto* simply another economic migration route), as reported for example here: *People smugglers advertising on TikTok are offering the services of solicitors to help illegal migrants claim asylum in £12,000 'deluxe' packages aimed at those trying to cross the Channel in small boats*, Mail Online – 27 July 2023 <https://www.dailymail.co.uk/news/article-12342415/People-smugglers-advertising-TikTok-offering-services-solicitors-help-illegal-migrants-claim-asylum-12-000-deluxe-packages-aimed-trying-cross-Channel-small-boats.html>

Another factor to weigh-in is the rate of employment of the native population. If the existing population of the country remains unemployed and unproductive the UK underperforms on its potential and our existing population becomes an economic burden rather than a productive asset. It is worth adding to this that, post the Covid-19 pandemic, there has been in excess of 5 million people unemployed in the UK²⁴.

Further, if employers focus on short-term cost-cutting by hiring cheaper migrant labour, instead of investing in new technology and solutions, UK sectoral long-term economic growth that could be achieved by maintaining an international competitive edge in technological advancement, may be restricted. For many small businesses this is often a choice they simply do not have: technology is expensive and their cashflows operate on tight margins. Instead the Government could stimulate growth by fiscally incentivising small businesses in certain sectors to improve their long -term viability and productivity by investing in new technological solutions, *in lieu* of relying on short-term migrant labour plugs. Labour and technological solutions are not always interchangeable or mutually exclusive, as we shall discuss further below. But in some cases businesses have a choice, or could have a choice, with the right incentives.

²⁴ *How are five million Brits without work?* The Spectator, 3 June 2022 by Fraser Nelson
<https://www.spectator.co.uk/article/how-are-five-million-brits-without-work/>

5. Present UK Immigration – Beneficial or Costly for Productivity and Growth?

i) Current Immigration System

On 1 January 2021, the UK rolled out a new “points based” immigration system²⁵. This followed the end of the UK’s participation in EU freedom of movement the day before. The UK’s immigration system now treats EU migrants in the same way as migrants from the rest of the world.

Simultaneously, changes were made to the main long-term work route. In the previous system, this route was known as *Tier 2 (General)*. The main long-term work route is now the “Skilled Worker” route. To obtain a Skilled Worker visa, most foreign applicants need a job offer for a middle-skilled or high-skilled job that meets certain salary thresholds: the higher of £25,600, or the “going rate” for the occupation that the migrant will do, which is set at the 25th percentile of earnings in that occupation.

Thus while the end of EU freedom of movement has made it harder for low-skilled low-earning EU citizens to come to the UK to work, the new lower Skilled Worker threshold has made it easier for migrant workers from the rest of the world to come to the UK. Under the previous system, non-EU citizens could only come to the UK to work in graduate jobs that had a salary of at least £30,000.

Therefore the new system has changed the demographic balance of migration inflow away from the EU and in favour of the rest of the world.

Salary thresholds are not useful on their own as they do not take into account skills gaps in lower paid jobs which may also be vital to the UK economy. However, while the salary threshold has decreased to £25,600, applicants can qualify on even lower salaries under certain circumstances:

- If the occupation the worker will take up is on the Shortage Occupation List, the salary requirement falls by 20%;
- If they are ‘new entrants’ to the labour market, they can qualify on a salary that is 30% lower than the going rate for the occupation, or if the general threshold applies, at least £20,480 (which is a 20% discount on the general salary threshold of £25,600);
- If they hold a PhD that is relevant to the job they will be doing in the UK, the salary requirement falls by 10-20%, depending on whether it is a STEM PhD;
- If they are working in one of 24 public service occupations – such as doctors, nurses, pharmacists, dentists, paramedics, and primary and secondary school teachers – they must be paid according to nationally agreed pay scales.

However, every applicant will still need to earn a salary of at least £20,480.

²⁵ *Policy Primer: The UK’s 2021 points-based immigration*, The Migration Observatory, The University of Oxford – 17 May 2021 <https://migrationobservatory.ox.ac.uk/resources/primers/policy-primer-the-uks-2021-points-based-immigration-system/>

Various other work visas are offered, such as the Global Talent route, which allow some migrants to qualify without a job offer if they are considered exceptionally skilled. Notably, the number of migrants admitted through the Global Talent route's predecessor, 'Tier 1 (Exceptional Talent)', was relatively small.

Unlike before, there is no cap on the number of skilled workers who can migrate to the UK, and employers no longer have to first demonstrate that their jobs could not be done by the resident workforce before advertising vacancy positions to overseas workers. Moreover, a skilled worker can live indefinitely in the UK if they keep extending their work visa. They do not have to meet a higher salary threshold for settlement, as they did under the previous system.

Skilled workers however continue to require a visa to live or work in the UK, regardless of their country of origin, and must pay substantial costs, such as the NHS immigration health surcharge²⁶ of £624 per person per year, which must be paid up-front when applying for the visa. The surcharge is set to increase to £1,035 per person per year from 1st January 2024. The Prime Minister, Rishi Sunak has also announced that visa costs will be increasing²⁷.

ii) Reasons for Immigration

FIGURE 6 – Reasons for immigration to the UK 2010 to 2019²⁸

Year ending	Work	Formal study	Accompany or join	Other	Not stated	Total
All nationalities						
2010	203,000	238,000	80,000	40,000	29,000	604,000
2011	184,000	232,000	74,000	41,000	35,000	599,000
2012	180,000	180,000	62,000	43,000	32,000	524,000
2013	214,000	177,000	71,000	43,000	20,000	557,000
2014	278,000	191,000	89,000	48,000	26,000	667,000
2015	308,000	168,000	74,000	53,000	29,000	664,000
2016	275,000	169,000	85,000	60,000	32,000	622,000
2017	276,000	196,000	80,000	60,000	33,000	644,000
2018	217,000	211,000	52,000	72,000	51,000	604,000
2019	221,000	238,000	68,000	94,000	61,000	681,000

²⁶ The NHS immigration health surcharge was implemented by The Immigration (Health Charge) Order 2015 (S.I. 2015/792) <https://www.legislation.gov.uk/ukSI/2015/792/contents> made under sections 38 and 74(8) of the Immigration Act 2014, c.22 <https://www.legislation.gov.uk/ukpga/2014/22/contents>

²⁷ For example, *Why are UK visa application fees rising? Rishi Sunak announces change*, The Evening Standard, 14 July 2023 <https://www.standard.co.uk/news/uk/why-uk-visa-fees-cost-rising-b1094477.html>

²⁸ Source: Office for National Statistics

People coming to the UK from non-EU countries for work, study, and for humanitarian purposes, including unique events such as those arriving from Ukraine and Hong Kong, have contributed towards relatively high levels of immigration in the last couple of years.

A. WORK

FIGURE 7 – Work-related visas granted by visa type 2019 to 2022²⁹

Visa type	Year ending December 2019	Year ending September 2022	Change	Percentage change
Worker	63,757	145,258	+81,501	+128%
Temporary Worker	40,914	72,997	+32,083	+78%
Investor, business development and talent	2,780	3,416	+636	+23%
Other work visas and exemptions ¹	29,601	27,248	-2,353	-8%
Total	137,052	248,919	+111,867	+82%

There were 248,919 grants to main applicants in the year ending September 2022, which represented just under two thirds (65%) of all work visas. This is 82% higher than prior to the pandemic in 2019, and 80% more than in the year ending September 2021.

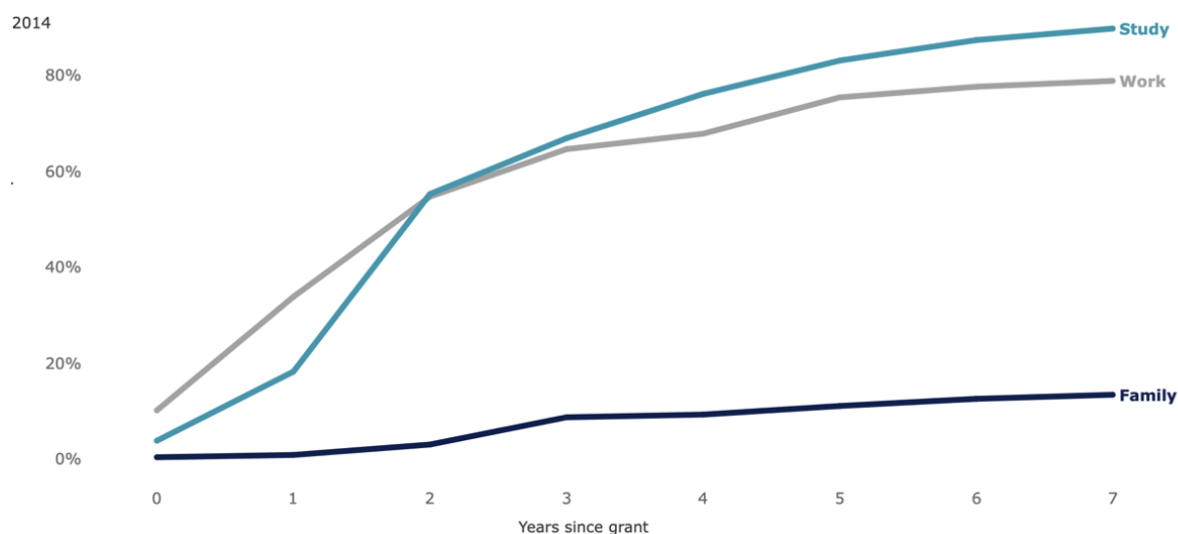
However, the proportion of migrants coming to the UK to work is undoubtedly higher than reported. Some migrants come to the UK on study visas but either register on fake study courses³⁰, in reality coming to the UK to work, or come to the UK to study but then overstay their study visas. Analysis by the Migration Watch reveals that 4.8 per cent of the 1.9 million people who came to the UK on work or study visas in 2020-21 did not leave on time – equivalent to 91,900 people and up from 49,400, or 3.7 per cent, in 2016-17³¹.

²⁹ Source: *Why do people come to the UK? To work*, UK Home Office – 24 November 2022
<https://www.gov.uk/government/statistics/immigration-statistics-year-ending-september-2022/why-do-people-come-to-the-uk-to-work>

³⁰ See, for example: *UK immigration: YouTube influencer says 'some people hide behind studentship'* – 24 May 2023 <https://www.bbc.co.uk/news/uk-65684594>

³¹ *Number of visa overstayers almost doubles in five years*, The Telegraph – 23 February 2021
<https://www.telegraph.co.uk/news/2021/02/23/number-visa-overstayers-almost-doubles-five-years/>

FIGURE 8 – Share of 2014 UK visa recipients whose visas had expired by years since visa grant (to 2021)³²



Another liberalisation of skilled work migration is the reintroduction of a post-study work visa, which was first introduced in 2008 and closed in 2012. This has been rebranded as the ‘Graduate’ route³³. It allows students who have completed a degree in the UK to stay in the country for two years – or three years if they are a PhD graduate – to live and work at any skill level, and to switch into skilled work routes if they find a suitable job.

There is also a growing cohort of largely unskilled migrants coming to the UK by boat and often abusing the asylum system. Many of these migrants have been reported to be working illegally, typically in car washes, food delivery services or nail bars, often paid less than the minimum wage³⁴. In such cases they are highly unlikely to be paying into the Exchequer.

B. STUDY

The composition of non-EU immigration changed in 2022, with 39% of non-EU migrants to the UK arriving for study related reasons, a reduction from 47% in 2021. However, the total number coming to the UK on study visas at 361,000 people in 2022 was still an increase from 301,000 in 2021³⁵.

³² *Net migration to the UK*, The Migration Observatory, The University of Oxford – 9 August 2023 <https://migrationobservatory.ox.ac.uk/resources/briefings/long-term-international-migration-flows-to-and-from-the-uk/>

³³ <https://www.gov.uk/graduate-visa>

³⁴ For example, *More than 90% of hand carwashes in UK employing workers illegally, study finds*, The Guardian – 26 December 2022 <https://www.theguardian.com/uk-news/2022/dec/26/more-than-90-of-hand-carwashes-in-uk-employing-workers-illegally-study-finds> and *Deliveroo, UberEats riders among 60 arrested in London amid Home Office crackdown*, The Evening Standard – 24 April 2023

³⁵ *Long-term international migration, provisional: year ending December 2022*, Office for National Statistics – 25 May 2023

The Office for National Statistics (ONS) reports the increase is mainly attributed to students bringing dependents, with 41,000 coming in 2021 compared with 85,000 in 2022. However, from January 2024 international sponsored students will no longer be allowed to bring dependants with them to the UK³⁶. The rules were changed to reduce the huge number of dependants - children and spouses of students - arriving in the UK after the number sky rocketed from 16,000 in 2019 to 136,000 in 2022. PhD students will be exempt from the changes which are designed to target dependents of those studying masters degrees. It has also been reported that there will be a clampdown on unscrupulous immigration agents offering educational routes as a way to migrate to the UK. International masters students will no longer be allowed to switch from student to work visas before studies conclude they will still be allowed to remain in the UK for two years after.

C. DEPENDENTS

There were 65,642 family-related visas granted in the year ending March 2023, 59% more than in the year ending March 2022. This was primarily driven by an increase in family-related visas granted to partners³⁷. Over three-quarters (79%) of family-related visas granted in the year ending March 2023 were to partners, with the remainder being for children or other dependants. The increase in family visas in recent years comes after a long period in which numbers had been relatively stable. Historically the numbers of applications and grants to partners have been similar, but between July 2021 and September 2022 the number of applications on this route was higher than the number of grants. The increase in grants to partners is mainly due to clearing this backlog of applications.

D. HUMANITARIAN

A new way of calculating migration was introduced in 2022. For the first asylum seekers are included in migration figures.

Migrants arriving on humanitarian routes (including Ukrainian temporary resettlement schemes) increased from 9% to 19% between 2021 and 2022. Such resettlement schemes are likely to be (but by no means certainly will be) a short-term phenomenon, as set out by the ONS:

"A series of unprecedented world events throughout 2022 and the lifting of restrictions following the coronavirus (COVID-19) pandemic led to record levels of international immigration to the UK.

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/yearendingdecember2022>

³⁶ *Overseas students to be banned from bringing dependents to UK*, ITV News – 23 May 2023
<https://www.itv.com/news/2023-05-23/international-students-to-be-banned-from-bringing-dependents-to-uk>

³⁷ *Why do people come to the UK? For family reasons*, Office for National Statistics – 25 May 2023
<https://www.gov.uk/government/statistics/immigration-system-statistics-year-ending-march-2023/why-do-people-come-to-the-uk-for-family-reasons>

"The main drivers of the increase were people coming to the UK from non-EU countries for work, study and for humanitarian purposes, including those arriving from Ukraine and Hong Kong. For the first time since using our new methods to measure migration, we have also included asylum seekers in our estimates, with around 1 in 12 non-EU migrants coming via this route."³⁸

iii) **Effects of Migrant Provenance**

Most people arriving to the UK in 2022 were non-EU nationals (925,000), followed by EU (151,000) and British (88,000)³⁹.

YOUTH MOBILITY SCHEME

The recognition of migrants from specific countries and territories having higher levels of education and training is reflected in the Youth Mobility Scheme⁴⁰. This Scheme allows 18 to 30-year-olds from Australia, Canada, Hong Kong, Japan, Monaco, New Zealand, South Korea and Taiwan to come to the UK to work at any skill level for a period of up to two years without the need to be sponsored by an employer. The Scheme has been extended to New Zealanders up to the age of 35 and will be available to Australians up to the age of 35 from 31st January 2024. The Government has indicated that the scheme will be expanded to include EEA citizens within the same age range and operate alongside the temporary route.

EU/ EEA

A 2018 report for the Migration Advisory Committee estimated for the year 2016-17 a net fiscal contribution of £4.7bn by EEA migrants was considerably outweighed by a cost of £9bn for non-EEA migrants⁴¹.

Research from a House of Commons Briefing Paper from 2016⁴² suggests migrants who have arrived in the UK from countries in the European Economic Area (EEA) are more likely to make a positive contribution to UK public finances. That report cites research from a 2014 article in *The Economic Journal*⁴³ (found that over the period 1995 to 2011, migrants from countries in the EEA contributed more to UK public finances than they received in benefits and transfers. The Report found⁴⁴:

³⁸ *Long-term international migration, provisional: year ending December 2022*, Office for National Statistics – 25 May 2023

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/yearendingdecember2022>

³⁹ *Ibid.*

⁴⁰ <https://www.gov.uk/youth-mobility>

⁴¹ *The Fiscal Impact of Immigration in the UK*, The Migration Observatory, The University of Oxford – 30 March 2022 <https://migrationobservatory.ox.ac.uk/resources/briefings/the-fiscal-impact-of-immigration-in-the-uk/>

⁴² *Impacts of immigration on population and the economy*, House of Commons Briefing Paper Number 7659 – 25 July 2016, by Feargal McGuinness and Oliver Hawkins

<https://researchbriefings.files.parliament.uk/documents/CBP-7659/CBP-7659.pdf>

⁴³ *The Fiscal Effects of Immigration to the UK*, *The Economic Journal* – 4 November 2014, by Christian Dustmann and Tommaso Frattini

<https://onlinelibrary.wiley.com/doi/abs/10.1111/ecoj.12181>

⁴⁴ *Ibid.* at p3

“Considering the immigrant population that resided in the UK over the 1995–2011 period, that over a period during which the fiscal cost of natives cumulated to £591 billion, EEA immigrants contributed 10% more than natives (in relative terms), and non-EEA immigrant contributions were almost 9% lower.”

Migration Watch, however criticised the headline figures presented by the authors as *“the best-case scenarios”* and argued that revenues from migrants arrived in the UK since 2000 are lower under alternative methodologies, namely how much of the taxes paid by businesses to attribute to migrants.

Professor Robert Rowthorn considered Migration Watch’s criticisms of an earlier working paper. He concluded that:

“depending on the method of estimation, recent EEA migrants to the UK have either paid their way or generated a modest surplus”⁴⁵

but pointed out the aggregate effect is still very small as a share of GDP.

A 2020 report by the Federation of Small Business (FSB) stated that a quarter of small business employers have at least one member of staff from the EU. More than half of FSB respondents said the majority of their EU employees fall into “medium” or “high skilled” categories⁴⁶.

Despite this EU Freedom of Movement appears to have increased the proportion of EU low or unskilled migrants in the UK, in the most recent period prior to Brexit. A paper entitled *‘Immigration, Trade and Productivity in Services: Evidence from UK firms’⁴⁷* focused on productivity changes in the UK service sector at the company level over the period 1990-2005. It found that immigration was productivity-enhancing during that period: *“twice as many immigrants worked in professional and managerial occupations relative to other less-skilled occupations”* and that the UK points-based system from 2002 was precisely intended to target highly skilled immigrants. However, the authors also specifically note that the 2004 accession of Eastern European countries altering the composition of new migrants *“tilting it toward the less skilled”⁴⁸*.

The Paper provides support for the argument that controlled immigration focused on the admission of relatively small numbers of highly-skilled workers to highly-skilled jobs may be productivity enhancing. Yet, that is not descriptive of the present UK immigration landscape, and greater productivity appears not to have materialised. As we have set out above in this paper, despite the number of migrant workers in the UK

⁴⁵ *The Costs and Benefits of Large-scale Immigration*, Civitas – December 2015, by Robert Rowthorn <http://www.civitas.org.uk/content/files/largescaleimmigration.pdf>

⁴⁶ *Keeping costs down key to realising vision of new immigration system, say small firms, as Government maps position*, Federation of Small Businesses – 18 February 2020 <https://www.fsb.org.uk/resources-page/keeping-costs-down-key-to-realising-vision-of-new-immigration-system-say-small-firms-as-government-maps-position.html>

⁴⁷ Ottavio *et al.* Working Paper 21200, National Bureau of Economic Research, Cambridge Massachusetts, USA – May 2015 https://www.nber.org/system/files/working_papers/w21200/w21200.pdf

⁴⁸ *Ibid.* at p8

growing as a proportion of the working population – doubling from 9.1% of the employed workforce in Q1 2004 to 17.8% of the workforce in Q1 2019⁴⁹ productivity has flat-lined.

DEPENDENTS

A 2018 report by Oxford Economics commissioned by the Migration Advisory Committee found that a single 20-year-old with no children only needed to earn just over £10,000 per year in order to ‘break even’ from a fiscal perspective, while a couple with two dependent children—who incur much greater expenditure on health and education—would not become net fiscal contributors until they earned around £45,000⁵⁰.

The Oxford Economics report found that the negative net fiscal contribution of non-EEA migrants in FY 2016-17 was primarily due to higher spending on the education of children, since non-EEA migrants are currently more likely to have dependent children than the UK-born population. They were also estimated to receive more in family benefits and tax credits as well as social housing, entitlement to which is calculated by dependent family size. Separate calculations in the same study that looked at the whole life cycle of non-EEA migrants and excluded the cost of children did not find a negative impact for this group.

This research appears to be corroborated by Census 2021 data – for example this dataset, created by comparing the country of birth of UK residents with tenure of household:

⁴⁹ *Migrants in the UK Labour Market: An Overview*, The Migration Observatory – 6 January 2022
<https://migrationobservatory.ox.ac.uk/resources/briefings/migrants-in-the-uk-labour-market-an-overview/>

⁵⁰ *The Fiscal Impact of Immigration in the UK*, A Report for the Migration Advisory Committee – June 2018
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/759376/The_Fiscal_Impact_of_Immigration_on_the_UK.pdf cited by The Migration Observatory, The University of Oxford – 30 March 2022
<https://migrationobservatory.ox.ac.uk/resources/briefings/the-fiscal-impact-of-immigration-in-the-uk/>

FIGURE 9 – Census 2021 UK Resident Country of Birth and Tenure of Household Dataset Extract⁵¹

Select countries of birth	Total households	Social housing	%
Somalia	57,716	41,744	72.3%
Jamaica	95,794	39,587	41.3%
Ghana	70,362	26,420	37.5%
Afghanistan	34,837	12,612	36.2%
North Africa	85,546	30,289	35.4%
Bangladesh	121,534	41,148	33.9%
Iraq	46,263	15,641	33.8%
Other Caribbean	61,930	19,888	32.1%
Nigeria	136,744	38,851	28.4%
Turkey	61,600	17,381	28.2%
Poland	326,326	57,721	17.7%
South American countries	112,293	16,416	14.6%
Pakistan	261,384	37,957	14.5%
Other Europe (Outside of the EU)	156,618	22,637	14.5%
Germany	129,640	17,936	13.8%
Kenya	70,490	8,483	12.0%
China	71,045	6,041	8.5%
Spain	58,379	4,796	8.2%
Malaysia	29,636	2,188	7.4%
France	67,164	4,407	6.6%
Italy	109,556	6,975	6.4%
United States	80,667	5,029	6.2%
Australia	53,331	2,824	5.3%
Romania	194,116	8,994	4.6%

The Oxford Economics report cites the greater likelihood of non-EEA migrants having dependent children as a key reason why non-EEA migrants are estimated to cost more for the UK economy. The same report estimated that over the course of their whole lifecycle, the average non-EEA migrant arriving in 2016 would make a positive net fiscal contribution (of £28,000, net present value). However, their children’s education is not included in this latter figure, because under the lifecycle method, the cost of education is attributed to the child and expected to be offset by the tax on their earnings when they enter the labour market. However, this makes the assumption a) that the children of migrants will maximise their earning potential and b) locate in the UK.

The rate of dependent visa applications is really a corollary to the rate of worker and student applications. When the latter increases, the former inevitably also increases, although this is also contingent on the likelihood of the migrant having dependent children, which is influenced by migrant provenance, as discussed above.

Home Office guidance to staff⁵² on Part 8 of the Immigration Rules (Family Members)⁵³ most recently published in August 2023, however is clear:

“If a dependent partner and / or dependent children are applying to join a lead applicant who has already been granted permission to stay within the UK, all dependants should be granted permission in line with the end date of the lead applicant’s permission.”

⁵¹ Source: Office for National Statistics, Census 2021 <https://www.ons.gov.uk/datasets/create/filter-outputs/a72d061a-16c7-42ff-9580-7d0cd72c033d#get-data>

⁵² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1179938/Dependent_family_members_in_work_routes.pdf

⁵³ <https://www.gov.uk/guidance/immigration-rules/immigration-rules-part-8-family-members>

The UK (like two thirds of UN member states) is not a signatory to the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families⁵⁴. However any decision not following the guidelines could be legally challenged on human rights breaches (the European Convention on Human Rights being incorporated into the UK statute book by means of the Human Rights Act 1998), or other grounds and judicable before an Immigration Tribunal.

It is welcomed that the Government will be reducing visas for dependents of international students (aside from students on postgraduate research programmes) from January 2024, as discussed above.

LANGUAGE ABILITY

FSB research reveals that proficiency in English language tops the migrant skill wish-list of small business employers⁵⁵ ranked above work experience or qualifications.

The fact that migrants might work more slowly because of language barriers, is one of the key arguments often raised in favour of creating policies to shift the proportional weighting of immigration to the UK in favour of so-called CANZUK (Canada, Australia, New Zealand) and other English-speaking countries and territories. This undoubtedly accounts for the territorial extent of the Youth Mobility Scheme, as discussed above.

EDUCATION AND TRAINING

Provided that migrants have been educated and trained to fill specific jobs in the UK, they add value to the UK labour market where there are skill shortages. For example, The Philippines provides specific training for nurses to work overseas, and a memorandum of understanding exists between the government of the Philippines and the UK Government to facilitate this⁵⁶.

The 2014 *Fiscal Impacts of Immigration* report found that:

“Immigrants also provide savings to the taxpayer by bringing with them educational qualifications paid for by their countries of origin. Calculating the annuities for immigrants’ effective education (i.e. the level of education corresponding to the educational requirement for their occupation), we find that between 1995 and 2011 European immigrants endowed the UK labour market with human capital that would have cost £14 billion if it were produced through the British education system. Focusing on those immigrants who arrived between 2001 and 2011, such implicit savings to the UK taxpayers total about £18 billion”⁵⁷.

⁵⁴ <https://www.ohchr.org/en/instruments-mechanisms/instruments/international-convention-protection-rights-all-migrant-workers>

⁵⁵ *Keeping costs down key to realising vision of new immigration system, say small firms, as Government maps position*, Federation of Small Businesses – 18 February 2020
<https://www.fsb.org.uk/resources-page/keeping-costs-down-key-to-realising-vision-of-new-immigration-system-say-small-firms-as-government-maps-position.html>

⁵⁶ <https://www.gov.uk/government/publications/memorandum-of-understanding-between-the-uk-and-the-philippines-on-healthcare-cooperation/memorandum-of-understanding-on-the-recruitment-of-filipino-healthcare-professionals-between-the-government-of-the-republic-of-the-philippines-and-the>

⁵⁷ *The Fiscal Impacts of Immigration*, *Supra* at p3

OTHER FACTORS

Migrants' experience might in fact prove to be a detriment if they are used to carrying out tasks in a way that differs significantly from UK business practice in a given sector and they have to adapt to new ways of working.

The ONS discontinuing the tracking of the UK population by country of birth and nationality since June 2021 will make it harder to understand why migrants come to the UK and their value to the UK economy.

iv) Costs to Businesses of Hiring Migrant Workers

Feedback from small business owners is that the costs of sponsoring migrant workers is too high. The FSB National Chairman Mike Cherry has said:

*"It's important that we see a focus on simplicity and cost control. As things stand, the cost of sponsoring a Tier 2 visa to a small employer can top £3,000. We should be looking to keep that figure below £1,000, to enable firms to invest in jobs and training."*⁵⁸

The FSB has suggested that a £25,600 earnings threshold may be too high for small businesses. Further 48% of small firms they polled reported that small business owners cannot pay current Tier 2 visa costs:

*"FSB research shows that 58 per cent of small businesses that employ medium-skilled staff would be unable to employ talented workers from overseas based on a minimum salary threshold of £25,600. Despite the MAC's recommendation of a salary threshold of £25,600, FSB is concerned that such a salary threshold may exclude a significant proportion of small businesses. While the Government's commitment to reducing the general salary threshold to £25,600 is a step forward, FSB is concerned that this threshold may still exclude a significant proportion of small businesses. Government should ensure that the minimum salary threshold is set at the right level to enable small businesses to access the talented workers they need whilst ensuring downward pressure is not placed on wages."*⁵⁹

The FSB's Regulation Returned report⁶⁰ identified added costs in addition to sponsorship costs for small businesses, including administrative duties and legal compliance requirements for small firms. It found that:

- small business owners and staff spend up to four times more of their time undertaking administration in order to comply with a range of legal obligations

⁵⁸ *Keeping costs down key to realising vision of new immigration system, say small firms, as Government maps position*, Federation of Small Businesses – 18 February 2020 <https://www.fsb.org.uk/resources-page/keeping-costs-down-key-to-realising-vision-of-new-immigration-system-say-small-firms-as-government-maps-position.html>

⁵⁹ *A World of Talent – Building an Immigration System that Works for Small Businesses*, Federation of Small Businesses – February 2020 <https://www.fsb.org.uk/resource-report/a-world-of-talent.html>

⁶⁰ *Regulation Returned – What Small Firms Want from Brexit*, Federation of Small Businesses – July 2017 <https://www.fsb.org.uk/resources-page/regulation-returned---what-small-firms-want-from-brex-it-pdf.html>

than they do on business development i.e. activities which sustain and grow the business.

- small businesses spend, typically, around 34 hours a month on compliance.
- the annual cost of administration is around £10,080 per business.
- the total cost of administrative activities for SMEs is approximately £55 billion a year.

Meanwhile, the FSB's *A World of Talent* report also found that:

*“The UK’s immigration system has long relied on the idea that higher salaries can be equated to higher skill levels, leading to an unfair system and a failure to recognise the importance of those in so-called ‘lower skilled’ roles. Demand is set to increase in social occupations, such as personal care aides, which are relatively immune to automation and will be driven by trends such as population ageing.”*⁶¹

This suggests that social care is a lower-skilled area where there is greater demand than supply.

However, since the publication of the *A World of Talent* report in February 2020 the migrant salary threshold has decreased to £25,600 (as from 1st December 2020), and applicants can qualify on even lower salaries under certain circumstances – as set out above in this paper, in i) Current Migration System.

The FSB report additionally voiced concerns expressed by its respondents with the duration of the sponsored temporary route for migrants. It reported that 49% of small business employers polled by the FSB would not recruit staff using a one-year temporary visa:

*“FSB’s research shows that half of small businesses that employ low-skilled workers and 57 per cent of small businesses that employ skilled workers (RQF3 and above) would not recruit workers using the temporary route in its current design. Small firms urge Government to introduce a temporary unsponsored route that allows migrants at all skills levels to come to the UK for a period of two years, not one year.”*⁶²

v) Impact of Migrant Workers on British-born Worker Productivity

If the existing British-born population remains unemployed, in favour of migrant labour to fill short-term skill gaps, and fails to receive adequate training it becomes an economic burden rather than an asset. This runs contrary to the Government's Levelling Up policy⁶³. The UK has some of the greatest regional income inequality disparity in Europe, and the stated missions of the Government's Levelling Up and Regeneration Bill⁶⁴ is to close the gap in pay and productivity and education and training between the richest and poorest areas of the UK and to increase the number

⁶¹ *A World of Talent, Supra* at p46

⁶² *A World of Talent, Supra* at p6

⁶³ *Levelling Up the United Kingdom*, Department for Levelling Up, Housing and Communities – 2 February 2022 <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

⁶⁴ <https://bills.parliament.uk/bills/3155>

of adults in training in low-skilled areas by 20 per cent⁶⁵. Presently, employment rates vary from 90% in East Cambridgeshire to 61% in Gosport on the south coast of Hampshire. As a reflection of just how persistent geographic inequalities can be: several of the areas targeted by the 1934 Special Areas Act, including Cumbria, parts of Tyneside and south Wales, still have some of the lowest employment rates today⁶⁶.

The Government Levelling Up policy is laudable, but too much migration of the wrong sort can be counterproductive to the policy objectives by exacerbating existing regional inequalities and challenges. People who come to the UK to work tend naturally to settle in areas where there is most work available. Migrants also often settle (more so historically, but the trend continues) where there is an existing diaspora of migrants from the same country or global region. This may certainly boost regional economic growth but adds to income disparity between parts of the UK. The UK's migrant population is concentrated in London⁶⁷. Around 35% of people living in the UK who were born abroad live in London. 37% of people living in London were born outside the UK, compared with 14% for the UK as a whole. London is also the wealthiest region of the UK⁶⁸.

After London, the English regions with the highest proportions of their population born abroad were the South East (13.4pc), the West Midlands (13.9pc), the East of England (12.9pc), and the East Midlands (12.7pc). In each of these regions, the proportion of people born abroad was lower than for England as a whole (15.5pc), which is skewed by London⁶⁹.

Regional inequality or inequity is not necessarily an issue if increasing the productivity of the UK as a whole is the primary objective. Wealth generation in the UK could all be concentrated in the City of London, manufacturing hubs and major airports, and the UK would still become wealthier as a whole. But such regional disparity nonetheless presents an incongruity with the current Government's Levelling Up policy, as well as income inequality concerning current and future Government policymakers. Exacerbated by the Covid-19 pandemic and its related policies, wealth inequality is on the rise in the UK, which already has some of the greatest regional wealth inequality in Europe⁷⁰. The World Bank and European Centre for Economic Policy Research (CEPR) have found that increasing the Gini Co-efficient⁷¹ reduces GDP per capita:

⁶⁵ *Ministers plan sweeping changes to local government as part of levelling up agenda, leaked paper reveals*, The Independent – 9 December 2021

<https://www.independent.co.uk/news/uk/politics/levelling-up-local-government-white-paper-b1972948.html>

⁶⁶ *Levelling Up: The employment and skills measures we need to build prosperity*, Learning and Work Institute – 28 January 2022 <https://learningandwork.org.uk/news-and-policy/levelling-up-employment-and-skills/>

⁶⁷ *Where do migrants live in the UK?* The Migration Observatory, The University of Oxford – 24 March 2022 <https://migrationobservatory.ox.ac.uk/resources/briefings/where-do-migrants-live-in-the-uk/>

⁶⁸ *Gross domestic product per capita of the United Kingdom in 2021, by region*, Statista – 2 June 2023 <https://www.statista.com/statistics/1168072/uk-gdp-per-head-by-region/>

⁶⁹ *Where do migrants live in the UK?* *Supra*

⁷⁰ *Wealth inequality rises in Britain after decade of stability*, The Financial Times – 7 January 2022 <https://www.ft.com/content/d52743ca-c669-4c71-941f-8281230a21b5>

⁷¹ also known as the Gini index or Gini ratio, the Gini Coefficient, developed by Italian statistician and sociologist Corrado Gini, is a measure of statistical dispersion used to represent income, wealth or consumption inequality within a nation or social group. A Gini Coefficient of 0 reflects perfect equality, where all income or wealth values are the same, while a Gini coefficient of 1 (or 100%)

“on average, a 1 percentage point increase in the Gini coefficient reduces GDP per capita by around 1.1% over a five-year period; the long-run (cumulative) effect is larger and amounts to about -4.5%. To be clear, this finding implies that, on average, increases in the level of income inequality lead to lower transitional GDP per capita growth.”

The CEPR also found that:

“The estimates from the interaction model thus suggest that in poor countries, increases in income inequality raise GDP per capita while the opposite is the case in high- and middle-income countries.”⁷²

A 2012 analysis by the UK Migration Advisory Committee (MAC)⁷³ found that for the period between 1995 to 2010 immigration adversely affected native employment in the UK. The report estimates that an increase of 100 foreign-born working-age migrants in the UK was associated with a reduction of 23 natives in employment during that period.

The analysis recognised and controlled for the issue of endogeneity. Endogeneity means a negative correlation between the native employment rate and the migrant population. That is consistent with the hypothesis that migrants reduce the native employment rate, but also consistent with the hypothesis that migrants move to regions with lower employment rates. The MAC analysis addressed the problem of endogeneity by controlling for time-invariant differences in the native employment rate across regions, which may have affected the location choices of the native population and migrants. The MAC analysis concluded:

“Our own analysis... suggests that an increase in the number of working-age migrants is associated with a reduction in the native employment rate over the period 1995 to 2010. We also find that working-age migrants are associated with a reduction in native employment rates when the output gap is negative or zero, normally associated with slow economic growth or an economic downturn.”⁷⁴

It is also recognised that the FSB has reported⁷⁵ that 38% of small business employers struggled to recruit the right staff in 2019, with 42% of these firms citing a challenge in finding the right skills and 35% flagging the unwillingness of UK citizens to work in their sector. However, while part of this may be a genuine skills gap among natives, it may also be indicative of a bias against native workers incubated by certain narratives repeated in the media.

reflects maximal inequality among values, a situation where a single individual has all the income while all others have none.

⁷² *Effects of income inequality on economic growth*, Vox EU, Centre for Economic Policy Research – 7 July 2015, by Daniel Lederman and Markus Brückner <https://cepr.org/voxeu/columns/effects-income-inequality-economic-growth>

⁷³ *Analysis of the Impacts of Migration*, Migration Advisory Committee – January 2012 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/257235/analysis-of-the-impacts.pdf

⁷⁴ *Ibid.* at para. 4.40, page 64

⁷⁵ *A World of Talent*, *Supra*

If migrant labour is complementary to existing workers (for example, because the two groups possess different skills) then this may be expected to boost productivity, leading to upward pressure on wages for existing workers. However, if skilled migrants work in unskilled roles, there is likely to be some negative effects for the existing unskilled workforce, notably the reduction of wages, and thereby worker spending capacity in the economy, due to the oversupply of labour⁷⁶.

Another report, jointly commissioned by the Home Office and Department for Business, Innovation and Skills in 2014, argued further that studies which focus on unemployment are likely to underestimate the impact of immigration on native employment⁷⁷. This is because – according to the report – if migration into an area reduces job opportunities for natives, they may become discouraged and stop looking for work which, rather like employer biases, has a negative reinforcement effect on productivity. Such people would then be classified as economically inactive and would not then be included in unemployment statistics:

“the ready availability of migrant labour may in some cases also reduce incentives to develop the productivity of existing workers, and the dynamic benefits while often discussed in the literature are difficult to measure accurately.”⁷⁸

Finally, the availability of new migrant entrants into the workforce might complement native workers by encouraging or allowing existing workers to acquire higher levels of human capital and gain promotions. For example, by increasing the need for supervisory roles as the workforce expands. But on the other hand, increased supervisory and managerial roles do not necessarily equate to greater productivity.

vi) Benefits to UK Economy of Migrant Workers

According to the Immigration Observatory at The University of Oxford, whether migrants are employed and how much they earn has an important impact on their estimated net fiscal contribution to UK GDP⁷⁹.

The OECD (2021) compared estimates of net contributions to the tax and benefits system across 25 OECD countries over a 13-year period from 2006 to 2018. It found that the age of migrants (specifically, being of prime working age, i.e., 25–54) was the single most important factor explaining differences in their net fiscal contributions compared to the native-born population. A key reason for this is that migrants in this age group are most likely to be working⁸⁰. The skill level of migrants was also found likely to be one of the main determinants of their fiscal impact in the short run. High-skilled migrants working in highly paid jobs can be expected to pay more in taxes, on

⁷⁶ *The Fiscal Impacts of Immigration, Supra* at p9

⁷⁷ *Impacts of migration on UK native employment: An analytical review of the evidence*, UK Home Office and Department for Business, Innovation and Skills – March 2014
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/287287/occ109.pdf

⁷⁸ *Ibid.* at p13

⁷⁹ *Migrant in the UK Labour Market: An Overview, Supra*

⁸⁰ *The fiscal impact of immigration in OECD countries since the mid-2000s*, Organisation for Economic Cooperation and Development, by Ana Dama de Matos <https://www.oecd-ilibrary.org/sites/4ccb6899-en/index.html?itemId=/content/component/4ccb6899-en>

average, than low-skilled migrants in low-wage jobs, although in the UK some migrant groups are characterised by considerable skills mismatch where they work below their actual skill level⁸¹.

While immigration can lead to an oversupply of workers, leading to wage stagnation or depreciation, it can also expand the demand for workers and thus create new jobs⁸². For example, migrants themselves buy goods and services, increasing demand. Professor Jonathan Portes has argued that:

*“It’s entirely true that immigrants add to labor supply. Indeed, it’s even true to say that immigrants “take our jobs” (I work and live in London, and I’m sure that I, like many UK-born economists, have at some point failed to get a job because my prospective employer preferred to hire an immigrant). But the point is that immigrants (directly or indirectly) add to labor demand as well as labor supply; they earn money and spend it. Ignoring this effect, as many do, is what economists call the “lump of labor fallacy”—the idea that there are only a certain number of jobs to go around.”*⁸³

We can thus conclude that the greatest economic benefit from migrants is from those who come to the UK to work. Over the past decade migrants coming to the UK to work have accounted for between one third and half of all migrants. Secondly, the greater the proportion of migrants who come to the UK to work the better for the UK economy.

A 2016 report published by the International Monetary Fund, *Impact of migration on income levels in advanced economies*⁸⁴, concluded that immigration increases the GDP per capita of host economies, mainly by raising labour productivity. The report claimed that the effect is significant and a one percentage point increase in the share of migrants in the adult population can raise GDP per capita by up to 2% in the long run.

While that report was generalised and not UK-specific, it was also found in the House of Commons 2016 Briefing Paper, referred to previously in this paper, that, from the perspective of Britain’s ageing population, the presence of working foreign-born migrants in a given population increases the ratio of working age people to pensioners by 33%. That is equivalent to one additional working age person in the population for every three pensioners⁸⁵.

However, an increase in the ratio of the working age population to pensioners in the UK does not appear to have translated into an increase in GDP per capita. As referred to previously in this paper, UK GDP per capita has stagnated between 2008 and 2020⁸⁶ despite an increase of about 2.5 million in the number of migrant workers

⁸¹ *The Fiscal Impact of Immigration in the UK, Supra*

⁸² *The labour market impact of immigration, Supra*

⁸³ *The Economics of Migration*, American Sociological Association, Volume 18, Issue 2 – 5 June 2019 by Jonathan Portes, at p13 <https://journals.sagepub.com/doi/pdf/10.1177/1536504219854712>

⁸⁴ International Monetary Fund – 24 October 2016, by Jaumotte *et al* <https://www.elibrary.imf.org/view/journals/062/2016/008/article-A001-en.xml>

⁸⁵ *Impacts of immigration on population and the economy, Supra*, at p5

⁸⁶ See also, *UK GDP Per Capita 1960-2023*, <https://www.macrotrends.net/countries/GBR/united-kingdom/gdp-per-capita>

in UK employment during that period to 18% of the working population⁸⁷, higher than at any other previous time in British history.

vii) **Costs to the UK Economy of Migrant Workers**

While migration may plug short-term skill gaps, migrants who are at working age and settle in the UK can become a burden to the state if they settle permanently in the UK and retire here, particularly those who rely on the state pension. The UK state pension is the largest single item of welfare spending for the UK government, forecast to make up 42 per cent of total welfare spending in 2023-24⁸⁸.

In this sense large-scale migration could be likened to a pyramid scheme: ever more migrants are demanded to support the ageing existing migrant population now in retirement.

Regardless of whether migrants are retired or still in employment, rapidly and substantially increasing the population creates a demand for state provided resources. This is particularly the case for non-EEA origin migrants from cultures where there is a higher dependency on extended families (who do not come to the UK as dependents) providing social welfare support, rather than the state. As set out previously in this paper, net migration to the UK to year end June 2022 was 606,000⁸⁹. Given that the UK currently has 2.8 doctors⁹⁰, 7.8 nurses⁹¹ and 2.4 police officers⁹² per 1,000 people, to maintain that level of service provision, an additional 1,697 doctors, 4,726 nurses and 1,454 police officers are required each year (assuming annual net migration to the UK remains at 606,000). Then there is increased housing and infrastructure demand. Some of these positions can be filled by the native population, but only if the right education and training is also provided.

It is a reasonable question to ask whether this is sustainable.

While automation possibilities vary by sector, large-scale immigration can also allow businesses to hire cheap labour, instead of improving efficiency and cutting labour overheads by investing in automation and new equipment requiring fewer human working hours. The Migration Observatory lists among other points, “*changing production process to make it less labour intensive by, for example, increasing the capital and/or technology intensity*” as a possible alternative to immigration in a 2011 paper⁹³. Having said this, highly skilled migrants might equally act as a catalyst for innovation by bringing new skills and introducing new practices to UK employers.

⁸⁷ *Migrants in the UK Labour Market: An Overview, Supra*

⁸⁸ *Welfare Spending: pensioner benefits*, Office for Budget Responsibility <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/welfare-spending-pensioner-benefits/>

⁸⁹ *Long-term international migration, provisional: year ending December 2022, Supra*

⁹⁰ Source: British Medical Journal <https://www.bmj.com/content/357/bmj.j2940>

⁹¹ Source: www.nurses.co.uk <https://www.nurses.co.uk/blog/stats-and-facts-uk-nursing-social-care-and-healthcare>

⁹² Source: Statista <https://www.statista.com/statistics/303963/uk-police-officer-numbers/>

⁹³ *Responding to Employers: Labour Shortages and Immigration Policy*, The Migration Observatory, The University of Oxford – 29 March 2011 <https://migrationobservatory.ox.ac.uk/resources/primers/responding-to-employers-labour-shortages-and-immigration-policy/>

COMPARISON WITH JAPAN

It could be asked whether even modest migration is essential to economic growth. Japan, a country that, being a member of the G7 and an island nation has material parallels with the UK, has very strict restrictions on immigration and indeed a declining population (peaking at about 128 million in 2010 and since declining to about 123 million currently⁹⁴). Yet Japan, which relies as much if not more on technological advances than human labour for growth⁹⁵, has a growing economy⁹⁶. Japan has the third-largest financial assets in the world, valued at \$12 trillion, or 8.6% of the global GDP total as of 2020, with a booming trade notably in auto manufacturing and exports, as well as consumer electronics, biochemistry and tourism⁹⁷.

While Japan has begun to admit some more limited migration in recent years, predominantly to assist in its manufacturing sector, it has a very low reliance on migrant workers. In 2020 Japan employed about 1.8 million foreign workers, which is about 2.5% of Japan's total working population. This contrasts with the UK where the proportion of migrant workers in the same year was 18%⁹⁸. Japan also takes robust action against illegal migrants. According to the Japanese Immigration Services Agency, as of July 1, 2020, the number of illegal overstayers in Japan is 58,241, the lowest on record since 1989⁹⁹.

Under the Japanese Immigration Control and Refugee Recognition Act¹⁰⁰ central and local government and public officials are obligated to report illegal migrants. There is no such obligation on the general public but cooperation is required. Employers are required to confirm the status of residence (visa) and the period of stay in order to prevent illegal employment. Border controls at Japanese ports of entry for foreign nationals include examination of personal identification documentation, finger printing and photo recording. Security at both air and maritime ports is closely controlled. As a result the single largest source of illegal migrants in Japan are those foreign nationals found to have stayed illegally beyond the 90-day time period of the Japanese temporary visitor visa.

⁹⁴ *Japanese population falls in all 47 prefectures for first time*, The Japan Times – 26 July 2023 <https://www.japantimes.co.jp/news/2023/07/26/national/japan-population-fall/>

⁹⁵ See, for example, *Land of the Rising Robots*, International Monetary Fund – June 2018, by Schneider et al <https://www.imf.org/en/Publications/fandd/issues/2018/06/japan-labor-force-artificial-intelligence-and-robots-schneider>

⁹⁶ *World Economic Outlook Database: April 2023 – Japan*, International Monetary Fund https://www.imf.org/en/Publications/WEO/weo-database/2023/April/weo-report?c=158.&s=NGDP_RPCH,NGDPD,PPPGDP,NGDPDPC,PPPPC,PCPIPCH.&sy=2021&ey=2028&ssm=0&scsm=1&scd=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1

⁹⁷ *Japan's Q2 GDP beats forecasts as exports zoom*, Reuters – 15 August 2023 <https://www.reuters.com/markets/asia/japans-q2-gdp-grows-much-faster-than-expected-helped-by-exports-2023-08-15/>

⁹⁸ *The State of the Foreign Workforce in Japan*, Statista – 2 June 2023 <https://www.statista.com/chart/29209/number-of-foreign-workers-employed-in-japan-by-industry-branch/> <https://teamstage.io/japanese-workforce-statistics>

⁹⁹ *Regarding the number of illegal overstayers in Japan (as of July 1, 2020)*, Japanese Immigration Services Agency https://www.moj.go.jp/isa/publications/press/13_00026.html?hl=en

¹⁰⁰ Cabinet Order No. 319 of 1951 <https://www.japaneselawtranslation.go.jp/en/laws/view/1934/en>

viii) Benefits and Costs to the UK Economy of Student Migrants

Following Brexit, from Autumn 2021 most EU, Swiss and EEA students have not been able to qualify for home fee status or to access to the UK student loan system, instead being classed as international students.

International students who come to the UK for formal study are required to pay full tuition fees. International undergraduate tuition fees vary from £11,400 - £38,000, with the average cost estimated to be around £22,200 per year.

International postgraduate tuition fees vary from £9,000 - £30,000, with the average cost estimated to be around £17,100 per year¹⁰¹. It costs £363 to apply for a student visa from outside the UK; £490 to extend or switch to a student visa from inside the UK¹⁰².

In 2022, 22% of all UK students studying in higher education were international students – 15.7% were undergraduates and 39.1% were postgraduates¹⁰³. The UK was the third most popular destination for international students in 2019, following closely behind Australia in second place and the USA far ahead as the most popular destination.

According to a 2017 study, which was produced for Universities UK by Frontier Economics, student spending contributes £95 billion to the UK economy and support more than 940,000 jobs across the UK¹⁰⁴. A more recent study by London Economics showed that international students starting their studies in 2020/21 would generate up to £41.9 billion for the UK economy¹⁰⁵. This is compared to the estimated £4.4 billion it costs the UK to host international students, which implies a net benefit of £37.4 billion for the UK economy, up from around £24.2 billion in 2015–16¹⁰⁶.

Given that international students account for about 22% of the student population in the UK, but contribute about £ 42 billion to higher education in the UK – compared with £95 billion overall, it is fair to surmise that international students are about twice as economically valuable to the UK as UK home students.

¹⁰¹ *Cost of studying and living in the UK*, British Council <https://study-uk.britishcouncil.org/moving-uk/cost-studying>

¹⁰² <https://www.gov.uk/student-visa>

¹⁰³ *International Facts and Figures 2022*, Universities UK – 16 August 2023 <https://www.universitiesuk.ac.uk/universities-uk-international/insights-and-publications/uuki-publications/international-facts-and-figures-2022>

¹⁰⁴ *The Economic Contribution of the Higher Education Sector in England*, Frontier Economics Summary report prepared for Universities UK – 27 September 2021 <https://www.universitiesuk.ac.uk/sites/default/files/field/downloads/2021-09/UUK%20Economic%20Footprint%20of%20HE%20Sector%20Summary.pdf> – see also *Universities 'generate £95 billion for UK economy'*, The Times Higher Education – 16 October 2017 <https://www.timeshighereducation.com/news/universities-generate-ps95-billion-uk-economy>

¹⁰⁵ *The benefits and costs of international higher education students to the UK economy*, Report for the Higher Education Policy Institute, Universities UK International, and Kaplan International Pathways – May 2023, at p(ii) <https://www.hepi.ac.uk/wp-content/uploads/2023/05/Full-Report-Benefits-and-costs-of-international-students.pdf>

¹⁰⁶ *International Facts and Figures 2022*, *Supra*

This may be factored into the total figure above, but it has also been calculated that international students spend an average per person of £1300 to £1400 in London and £900 to £1300 in the rest of the UK to cover accommodation, groceries, bills and other living expenses¹⁰⁷.

Having said all this, higher education is still a relatively small contributor to the UK economy, behind retail (particularly supermarkets), pension funds, construction contracting, banks and financial services, auto trading and private sector hospitals and healthcare¹⁰⁸.

¹⁰⁷ *How Much Do International Students Contribute to the UK Economy*, Immigration Advice Service – 2 August 2023 <https://iasservices.org.uk/how-much-do-international-students-contribute-to-the-uk-economy>

¹⁰⁸ *The Top 20 Best UK Industries in 2021*, Connects (TIAO SA/NV) – 6 July 2022 <https://connects.world/the-top-20-uk-industries-in-2021/>

6. Present UK Emigration – Beneficial or Costly for Productivity and Growth?

Studies of migration mainly focus on immigration, but migration should really be viewed as a mathematical equation. What is added on one side, is subtracted from the other. Immigration to the UK has consequences for the countries that migrants emigrate from. Similarly emigration from the UK might potentially boost the competitive advantage of another country. Additionally, while it would be invidious to reduce all humans to simply interchangeable economic modes of production, net migration is an important metric.

The provisional estimate of the number of people emigrating out of the UK long-term in 2022 is approximately 557,000. This is similar to pre-coronavirus (COVID-19) pandemic levels, with 2018 estimated to be 493,000. In 2022, non-EU nationals accounted for 263,000 (47%) of this total, EU nationals accounted for 202,000 (36%), and British nationals 92,000 (17%)¹⁰⁹.

The ONS states:

*“Levels of emigration have increased over the last year, driven by non-EU nationals, particularly those who initially arrived on a study visa. Evidence suggests that a significant proportion of arrivals in the UK only leave after 2 to 3 years, particularly students. Therefore, emigration may continue to rise following the increase in non-EU immigration over the past two years.”*¹¹⁰

i) Reasons for Emigration

The ONS, in its *Long-term international migration, provisional: year ending December 2022* release reveals that the number of non-EU citizens leaving the UK is skewed towards those who previously entered the UK as students (where their studies last for longer than one year). Non-EU students accounted for 153,000 of those leaving in the year ending December 2022. Conversely, 56,000 non-EU nationals who left in the year ending December left to pursue work opportunities, while 42,000 left for family reasons¹¹¹.

Of the foreign and British citizens leaving the UK, no such analysis – which is linked to data on how people originally entered the UK – appears to have been undertaken in 2022. Other sources of data available. A survey from the Health Insurance provider AXA PPP International conducted in 2014¹¹² reported the main drivers behind British emigration abroad. Poor work / life balance and poor pay and benefits were cited as the main drivers for leaving the UK at 17% of respondents to AXA PPP’s survey. Other push factors included climate (10% of respondents) and the economic outlook of the UK (9%). The results of AXA PPP’s survey and report indicate that quality of

¹⁰⁹ *Long-term international migration, provisional: year ending December 2022, Supra*

¹¹⁰ *Ibid.*

¹¹¹ *Ibid.*

¹¹² AXA PPP analyses UK expat-terns, International Travel and Health Insurance Journal – 6 March 2014 <https://www.itij.com/latest/news/axa-ppp-analyses-uk-expat-terns>

life is a key consideration for British emigrants and they are willing to relocate overseas to achieve it.

According to the ONS the main Reasons for Migration from the UK in 2019 (the most recent data covering reasons for emigration for all emigrants) included 151,000 work-related, 15,000 to accompany family, 24,000 to pursue formal study, with a further 178,000 'other' or no reason stated¹¹³.

Of the 368,000 emigrants in 2019, 138,000 were British, 148,000 were from EU countries and 82,000 from other countries¹¹⁴.

There have been no recent large-scale surveys that capture details about why people leave the UK. The handful of in-depth studies of British citizens living abroad offer some insights into why these citizens left the UK for a life abroad work, family life and study being the most significant. But when it comes to EU citizens, until Brexit there had been little consideration of those leaving the UK.

Indeed there has not been a UK parliamentary debate explicitly focused on emigration since 1987. Where the subject has been mentioned in parliamentary debate in broader debates about migration, the focus has been on the loss of key workers notable among them, doctors and academics – as research workers – in a context where working conditions and pay were better elsewhere. However, some MPs have raised concerns about emigration, for example most recently: Tim Farron MP (Westmoreland and Lonsdale, Liberal Democrat), speaking in a debate on Net Migration on 3 July 2023 said:

*“Of course, net emigration is the problem in some parts of the UK.”*¹¹⁵

On 27 June 2023, in a debate on Population Growth: Impact of Immigration, Alison Trewliss MP (Glasgow Central, SNP) said:

*“In Scotland, our issues are about emigration, not immigration. The depopulation of areas such as our islands has been a problem for generations”*¹¹⁶

¹¹³ 2.04 LTIM Main Reason for Migration, UK and England and Wales, 2004 to 2019 (MS Excel workbook), Office for National Statistics Archive – note this dataset was discontinued by the Office for National Statistics in 2019
<https://webarchive.nationalarchives.gov.uk/ukgwa/20160108033537/http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-393382>

¹¹⁴ 2.01a LTIM Citizenship, UK and England and Wales, 2004 to 2019 (MS Excel workbook), Office for National Statistics Archive. Note, this dataset was discontinued by the Office for National Statistics in 2019
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/longterminternationalmigrationcitizenshiptable201a>

¹¹⁵ Net Migration, Hansard UK Parliament Volume 735: debated on 3 July 2023
<https://hansard.parliament.uk/Commons/2023-07-03/debates/21D10CAE-7D43-472A-A92D-C58EB9C43362/NetMigration>

¹¹⁶ Population Growth: Impact of Immigration, Hansard UK Parliament Volume 735: debated on 27 June 2023
<https://hansard.parliament.uk/Commons/2023-06-27/debates/18903CC8-FF6B-4D42-B361-D8B4FC404B24/PopulationGrowthImpactOfImmigration>

ii) Is Emigration a Cost to the UK Economy?

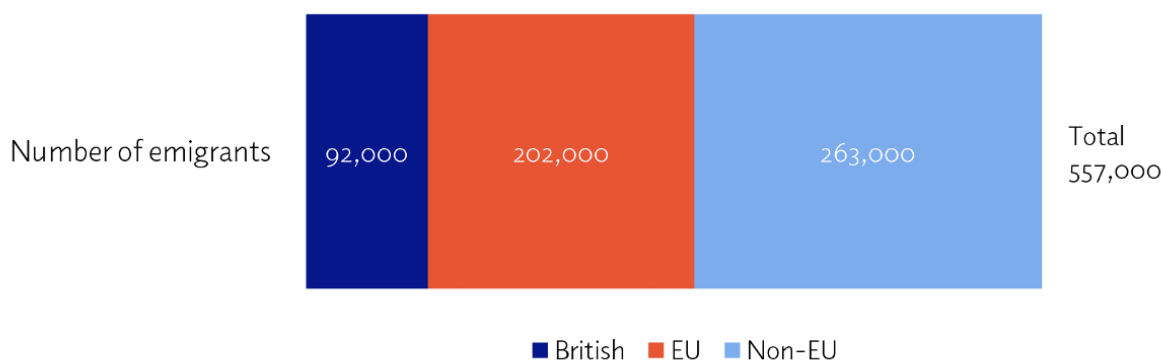
As stated previously, there has been surprisingly little research carried out on emigration from the UK, and this includes the costs of emigration to the UK economy.

Arguably, the focus of concern for UK policymakers should be the loss of talent of British nationals. For British nationals English is overwhelmingly likely to be their native language, and whose knowledge of British business markets, practices and UK regulatory regimes is likely to be unmatched by migrants from abroad.

In her paper “*Is it time for the UK to pay more attention to emigration?*”¹¹⁷ Professor Michaela Benson examines the number of people leaving the UK for the purposes of long-term migration. She highlights the absence of emigration from the political and policy debate and asks whether in the context of labour shortages in certain sectors it might be time for this to change.

Benson appears to be concerned primarily with emigration from the UK by EU citizens since the Brexit referendum. However, the level of emigration from the UK is higher among citizens from the rest of the world than the EU. If one looks at the figures for year ending December 2022 there were 92,000 British citizen emigrants, 202,000 EU citizen emigrants and 263,000 non-EU non-British citizen emigrants¹¹⁸.

FIGURE 10 – Number of Emigrants Leaving the UK Year Ending Quarter 4, 2022¹¹⁹



¹¹⁷ *Is it time for the UK to pay more attention to emigration?* UK in a Changing Europe – 18 July 2023, by Michaela Benson <https://ukandeu.ac.uk/is-it-time-for-the-uk-to-pay-more-attention-to-emigration/>

¹¹⁸ *Long-term international migration, provisional: year ending December 2022*

¹¹⁹ *Ibid.*

7. Future UK Migration Trends

According to present Office for Budget Responsibility (OBR) projections, UK net migration is likely to settle at about 245,000 per year¹²⁰. However, given that net migration reached 606,000 in year ending June 2022, and given forecasts and projections about future UK net migration in recent years have tended to consistently underestimate the scale of immigration, we should take such projections with a pinch of salt. In 2010 the ONS projected long-term annual net migration of 200,000 per year¹²¹ yet net migration averaged at 237,000 over the period 2011-2020, and most probably would have been higher had it not been for the Covid-19 pandemic in 2020.

Some businesses and organisations have suggested a more relaxed approach to immigration would help boost growth, with staff shortages weighing heavily on many firms. The Government has partly resisted those calls, saying businesses should instead better train their staff to boost productivity, but it has also eased hiring rules in the hardest-hit sectors. How far the Government goes to tighten or loosen immigration controls and how attractive a destination the UK will be (or appear to be) for migrants will ultimately affect future projections.

For this reason it is difficult to predict the future population of the UK with absolute precision but it has been variously estimated that by 2050 the UK population would reach between 74 million¹²² and 77 million people, which would make the UK larger by population than any EU member state¹²³.

Notably, the proportion of people aged over 65 is projected to increase to more than a quarter of the UK population by 2066¹²⁴ and by mid-2045, the number of people in the UK aged 85 years and over is projected to have nearly doubled from 1.7 million to 3.1 million, representing 4.3% of the total UK population¹²⁵. This means the UK will increasingly rely on working age migrants with the right skills and ability to fill gaps in the labour market, including notably to provide care and nursing for an ageing population. However, equally the UK Government must enable and incentivise education and training of the native population, tailored to the needs of the current and future labour markets.

¹²⁰ *UK net migration set to be about 245,000 a year, OBR says*, Reuters – 15 March 2023
<https://www.reuters.com/world/uk/uk-net-migration-set-be-about-245000-year-obr-says-2023-03-15/>

¹²¹ *National Population Projections: 2010-Based Statistical Bulletin*, Office for National Statistics – 26 October 2011
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2011-10-26>

¹²² <https://statisticstimes.com/demographics/country/uk-population.php>

¹²³ Population growth: UK to become biggest country in European Union by 2050, City A.M. citing Eurostat, 28 July 2015 <https://www.cityam.com/population-growth-uk-become-biggest-country-european-union-2050/>

¹²⁴ *Trend Deck 2021: Demographics* – Government Office for Science – 28 June 2021
<https://www.gov.uk/government/publications/trend-deck-2021-demographics/trend-deck-2021-demographics>

¹²⁵ *National population projections: 2020-based interim*, Office for National Statistics 12 January 2022
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2020basedinterim>

8. Conclusion – UK Migration: Benefit or Cost?

Many small businesses have been calling for eases to migration to fill skill gaps for many years, and migrant workers will continue to be needed, especially as the UK population pyramid becomes weighed more towards retirement age in the next 20 years. Yet despite record breaking net migration to the UK in recent years, productivity has stagnated.

Something is therefore clearly amiss and the British public and small businesses alike are atuned to a growing gap in expectations and outcomes regarding migration.

To summarise what we have found through our research and presented in this paper, whether or not migrants produce a benefit for UK productivity and growth depends on whether they are working, the type of work being done, whether they are paying back into the UK economy and paying taxes to the UK Treasury. Other factors determining the contribution migrants make to the UK economy include whether they have dependents, or bring non-working family members to the UK.

In short, when it comes to immigration it is clear the focus should be on quality rather than quantity. As we have set out in our Summary and Recommendations, the IBN is in favour of higher skilled migration and also targeted lower skill migration where there are short-term skills gaps to be met. This should always be business-led and smarter rather than a one-size-fits-all approach – with businesses informing the Government and the Government listening to needs and concerns.

There is evidence the Government is creating sector specific tailored visas to address specific sectoral skill gaps. For example, on 17 July 2023 it was reported that the Government added construction roles to its “shortage occupation” list, enabling employers of bricklayers, masons, roofers, roof tilers, slaters, carpenters, joiners and plasterers to benefit from cheaper visas and more relaxed employment criteria¹²⁶.

The IBN would also be in favour of extending the temporary worker migrant visa to two years rather than 12 months and reducing the cost of sponsoring migrants for small businesses.

The IBN also calls for improved statistical monitoring of emigration and the reasons for emigration from the UK.

The IBN recognises the costs to public funds of the migration and asylum system being abused. To safeguard against legitimate businesses being undercut by migrants working illegally we support greater Government measures to reduce abuse of the system (notably migrants overstaying visas), which has escalated rapidly and become a major problem.

¹²⁶ *UK relaxes visa rules to attract foreign construction workers*, Reuters – 17 July 2023
<https://www.reuters.com/world/uk/uk-relaxes-visa-rules-attract-foreign-construction-workers-2023-07-17/>

Finally, while this is not the focus of this paper, we note the speech delivered by the Home Secretary, Suella Braverman MP in Washington DC on 26 September 2023¹²⁷, where she warned that “*British culture will disappear*” if immigration remains uncontrolled at unprecedented record-breaking levels, calling for reform of the 1951 UN Convention Relating to the Status of Refugees¹²⁸, which the UK has ratified. As we touched on in our Executive Summary in section 2 of this paper, there is cross-over between integration with British cultural norms, cohesion and stability and a productive and contented national population.

¹²⁷ *British culture ‘will disappear’ without migration controls, says Braverman*, The Telegraph, 26 September 2023 <https://www.telegraph.co.uk/politics/2023/09/26/rishi-sunak-latest-news-live-un-asylum-braverman-ed-davey/>

¹²⁸ <https://www.unhcr.org/about-unhcr/who-we-are/1951-refugee-convention>