



Central and East European migrants are a boon for Britain

by John Springford

When economies are struggling, governments find it difficult to resist calls for protectionism of one form or another. The British government is trying to erect barriers to immigration. It has promised to cut net immigration to tens of thousands of people per year, from an average of 200,000 since 2004, many of whom came from the new Central and East European members of the EU. In January 2013, ministers announced that they were considering a negative advertising campaign about Britain in an effort to deter migrants from Bulgaria and Romania, whose citizens are free to work in the UK from 2014. And in March, the government said it would try to change EU rules that give European migrants access to welfare benefits, to tackle perceived 'benefit tourism'.

As Britain's economic stagnation continues, it is hardly surprising that the government is pandering to public hostility towards immigrants. Public opinion has hardened against unemployment benefits, particularly for foreigners. And immigration from Central and Eastern Europe remains high, despite the rise in the UK's unemployment rate. Nevertheless, the economic case for EU migration is strong. In some respects, it is getting stronger, despite Britain's poor economic performance. And, perhaps surprisingly, the case rests on Central and East European migrants' contribution to the public finances.

There can be no doubt that immigration from Central and Eastern Europe has raised Britain's

rate of economic growth. But have some Britons lost their jobs, or received lower wages as a result? Several economic studies have found no evidence that this is happening. Large-scale immigration from Central and Eastern Europe – nearly 1 million people since 2004 – has made no difference to the job prospects of UK nationals. According to research by the government's Migration Advisory Committee, it has also had no effect on Britons' wages, even since the economic downturn.

Why is this the case? Many Central and East European migrants are employed in jobs that British workers either do not want to do, or do not have the skills for. And migrants spend their earnings in Britain, which results in jobs for other

people. Thus, immigration has led to economic activity which would not otherwise have taken place, even if the migrants themselves take most of the extra national income.

Migrants contribute not by providing more jobs and wages for British people, but by paying more into the public purse than they take out. This is because they are younger, more likely to be in employment, and on average better educated than the British population as a whole. So they receive less welfare, health or pension spending than the average Briton. EU migrants help to pay British people's benefits, not the other way round.

Many Central and Eastern Europeans take jobs for which they are overqualified on arrival. They then move quickly up the earnings ladder as they switch to more productive work, or develop a larger client base, if they are self-employed. The tax take from Central and East European workers has been growing, despite the recession. Data from the UK Labour Force Survey (LFS) shows that their median weekly wage, before tax, grew by 52 per cent between 2006 and 2012, from £250 to £380. They are now only £5 behind Britons. And as the number of migrants has grown, so have the British treasury's revenues.

On the spending side of the ledger, Central and East European migrants receive fewer benefits than Britons. Fully 83 per cent participate in the labour market, compared to 77 per cent of UK nationals of working age. More are registered as unemployed – in the third quarter of 2012, 8.2 per cent were jobless, against 7.4 per cent of British citizens. But migrants are less likely to receive unemployment-related benefits: according to LFS data, just 1.7 per cent are on Jobseeker's Allowance, half the rate of take-up among the host population. A far smaller proportion of Central and East European immigrants receive disability, pension, and child benefits than British people. Very few Central and Eastern Europeans live in social housing, and only 5 per cent receive housing benefit (compared to 8.5 per cent of Britons). They may well push up private rents in some areas, but this is best tackled by building more houses (which would also create jobs for the host population).

Central and East European migration is a rare source of growing tax revenue for Britain. And migrants can also contribute to the long-term health of Britain's public finances. As the population ages, more workers will be needed to pay for pensions and healthcare, the costs of which are projected to rise steeply.

The elderly have been largely protected from the Conservative-Liberal Democrat coalition's spending cuts: health, pensions and old-age benefits have been increased or frozen. As Britain's baby boomers retire over the next ten years, this spending must either be cut, or new sources of revenue found to pay for it. A larger and more skilled working age population would help; but the government needs to spend more on the education of children of Central and Eastern Europeans in the short term.

“*Benefit tourism' is a red herring: Central and East European migrants' growing wages are paying for British citizens' benefits.*”

Unfortunately, the government is cutting the education budget: by 2015, it will be 14 per cent smaller in real terms than it was in 2010. Capital spending is taking the brunt of the education cuts, as the coalition abandoned the previous government's school building programme. This is coinciding with a rise in the birth rate, to which Central and East European immigrants are contributing by having more children than the native-born population. Many who arrived shortly after EU accession have settled and started families: around half a million more children need to be educated as a consequence of European immigration. More and larger schools are required, as well as more teachers, or the quality of British education will fall in areas that are seeing the fastest population growth.

Investment in school buildings and teachers would require more spending in the short term. But the government's cost of borrowing is at a record low. And in the long term, that investment will pay for itself: more educated children become more skilled workers, who contribute more in taxes and require less welfare spending.

Britain's political debate about EU migration is heated, populist, and lacking in evidence. Central and East European immigrants have no effect on Britons' employment prospects; they are hard-working and increasingly productive; they contribute more to the public purse than they receive; and they and their children will help to ease the fiscal cost of an ageing population. Perhaps the UK government could run adverts inviting more Central and Eastern Europeans to come, rather than trying to put them off?

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