

NewStatesman

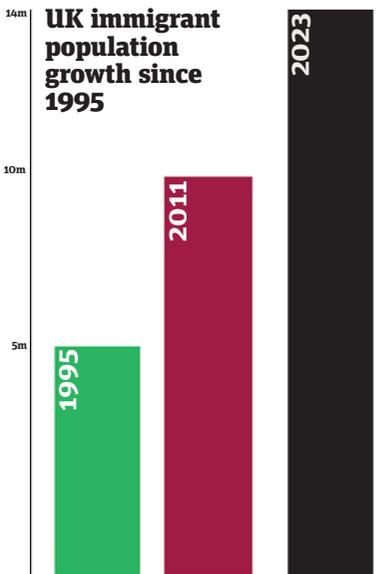


**IS A CAP ON
IMMIGRATION
A CAP ON
GROWTH?**

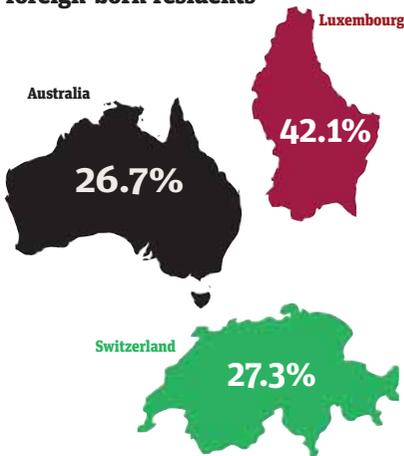
Assessing the impact of
migration on our economy

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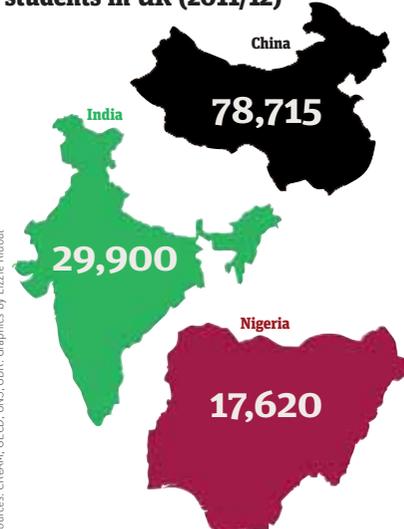




Countries with largest proportion of foreign-born residents



Home countries of overseas students in UK (2011/12)



Myth busters

Myth 1 Many immigrants come to the UK as “benefit tourists”

Fact Of 1.44 million people claiming Jobseeker’s Allowance in 2011, 8.5% were non-UK nationals. Fewer than 38,000 claimants were from other countries in the European Union.

Myth 2 Immigrants are a burden on the UK economy

Fact Between 2001 and 2011, recent immigrants from the European Economic Area contributed 34% more to the fiscal system than they took out, and non-EEA immigrants paid in 2% more. The net fiscal balance of overall immigration to the UK over this period amounts to a positive contribution of roughly £25bn.

Myth 3 Most immigrants to the UK are unskilled

Fact Unlike most other European countries, the UK attracts highly educated and skilled immigrants. In 2011, 32% of recent EEA immigrants and 43% of recent non-EEA immigrants held a university degree, compared to 21% of the British adult population.

Myth 4 Foreign students are overrunning our universities

Fact Only 17.4% of the 2.5 million students in higher education in the UK in 2011/2012 was not from the UK. This small percentage of foreign students contributed an estimated £8.8bn to the economy.

Myth 5 Most immigrants come to the UK and don’t work

Fact In 2012, labour-market participation for foreign-born people was 73.7% and the unemployment rate was 9.3%, statistics that are almost perfectly in line with those for the native UK population.

Immigrant contribution to UK economy (2001 - 2011)



Countries with the highest number of new immigrants in 2011



Sources: CheAM, OECD, ONS, DBR. Graphics by Lizzie Ridout

New Statesman
7th Floor
John Carpenter House
John Carpenter Street
London EC4Y 0AN
Tel 020 7936 6400
Fax 020 7936 6501
info@newstatesman.co.uk
Subscription enquiries,
reprints and
syndication rights:
Stephen Brasher
sbrasher@
newstatesman.co.uk
0800 731 8496

Supplement Editor
Becky Slack
Design & Production
Leon Parks
Graphics
Lizzie Ridout

Commercial Director
Peter Coombs
020 7936 6753
Account Director
Eleanor Ng
020 7936 6417



The Conservative Mark Harper makes his case for net migration



Labour's Chris Bryant on linking immigration and apprenticeships



Liberal Democrat discussions with Vince Cable

Separating myth from reality

Without immigration, the UK would be far deeper in debt than it is now. It's a bold statement, and one of several made in favour of immigration during a series of *New Statesman* party conference fringe events focusing on the role that migrants play in our economy. The talks were hosted in partnership with the Association of Chartered Certified Accountants.

Other speakers noted that immigrants who have arrived in Britain since 2000 have contributed much more than they have taken out, and that they are responsible for generating millions of pounds within our economy.

The topic under discussion – “Is a cap on immigration a cap on growth?” – made for an informed and often heated (on the part of the audience) debate. Armed with facts and figures, the panellists exploded many pervading myths and challenged the argument that immigration is detrimental to our society.

The discussion centred around the economic contribution foreign-born individuals make, the skills gaps that need to be filled – urgently so, in some cases such as engineering – and what would happen if the government's ambition to lower net migration was achieved.

This is not to say that contrary popular opinion was ignored or discounted. Far from it. However, as the events highlighted, immigration is becoming a policy area fuelled by sensation rather than facts. If the state is to convince the public that there are positive consequences, there is a pressing need for more evidence-based education.

The immigration conundrum will not be solved any time soon. That makes it all the more important to ensure that those who benefit from immigration (particularly British business) do all they can to ensure that the right messages are being disseminated. ●

This supplement, and other policy reports, can be downloaded from the NS website at newstatesman.com/supplements

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Our panellists debate
- 8 Facts and figures
Busting the myths around immigration

Is a cap on immigration a cap on growth?

What impact do non-UK nationals have on our economy? The *New Statesman* and the ACCA brought a number of experts together to discuss

Liberal Democrat conference



Dr Vince Cable, Secretary of State for Business, Innovation and Skills



Professor Christian Dustmann, Director, Centre for Research and Analysis of Migration



Adam Marshall, Director of Policy and External Affairs, British Chambers of Commerce



Neil Stevenson, Executive Director of Brand, ACCA

Labour party conference



Chris Bryant MP, Shadow Immigration Minister



Ewan Willars, Director of Policy, ACCA



Professor Christian Dustmann, Director, CReAm



John Longworth, Director General, British Chambers of Commerce

Conservative party conference



Mark Harper MP, Minister of State for Immigration



Jonathan Portes, Director, National Institute of Economic and Social Research



John Longworth, Director General, British Chambers of Commerce



Petros Fassoulas, Head of Policy and Public Affairs, ACCA

If ever there was a subject to inflame debate, immigration is the one, up there with the best of them. To some of our compatriots, the contribution immigrants have made to the UK over the years has been positive – from Nobel Prizewinners such as Michael Levitt, T S Eliot and Friedrich Hayek who have helped our nation excel in science, economics and literature, to Somalis who came to work in our munitions factories during the First World War, to the migrants who work as doctors, nurses and dentists today in the National Health Service. However, for others, the outlook is not so encouraging. Immigrants have been accused of driving down wages and “taking our jobs” as well as being the cause of excessive pressure on schools and hospitals.

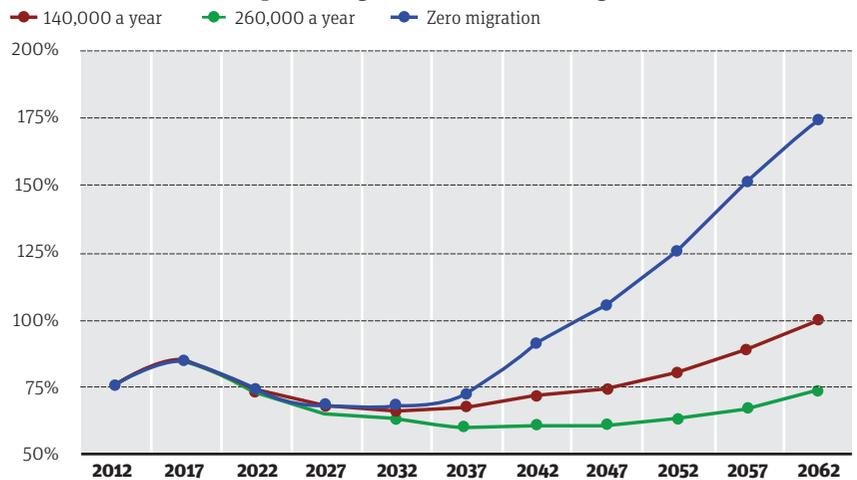
Certainly the number of migrants living in the UK is increasing. The size of the foreign-born population increased from about 3.8 million to over seven million between 1993 and 2011, according to the UK census, the most common birthplaces being India, Poland and Pakistan. These figures increase further when illegal immigration is taken into account. The level of this is by its very nature difficult to assess, but a 2005 Home Office study based on census data estimated that there are somewhere between 310,000 and 570,000 people who do not have permission to live here. In addition, recent figures from the Office for National Statistics suggest that a population increase of 5.8 million will occur over the next two decades due to new arrivals or immigrants having children when they settle.

Thus, for much of the electorate, the number of people moving to the UK remains a critical concern. Yet although there is cross-party consensus that unlimited open migration is politically unfeasible, how to manage immigration is the source of much confabulation.

The solution offered since 2010 has been an annual cap of 21,700, a policy that has generated more debate than it has resolved. While some have argued that this is precisely the measure needed to control the influx of migrants, others have claimed it is hostile to foreign investment and, to quote the words of Lord O'Donnell, is a “big barrier to growth”.

Is this really the case? To establish whether a cap on immigration is a cap on growth, the *New Statesman*, in partnership with the ACCA, hosted a series of fringe events

Debt (% of GDP) depending on rate of net migration to Britain



Source: OBR

Achieve zero migration and debt as a percentage of GDP will skyrocket

at this year’s Liberal Democrat, Labour and Conservative party conferences.

As Dr Vince Cable, the Secretary of State for Business, Innovation and Skills, hinted at the first of these debates, his party believes the cap is detrimental.

“The awkwardness is that the overall government is committed to a tough approach to legal immigration,” Cable said. “The Conservatives have a separate objective, which is reducing the net immigration of the country to below 100,000 – which is often presented as if it is government policy, which it is not.”

In his view, the net migration target is problematic. First, only migration outside the EU can be controlled and not migration within it, thus automatically excluding population movement across Europe. Second, emigration impacts on net migration figures, meaning that Brits settling elsewhere in the world would make a positive contribution to immigration levels – something that Cable described as a “perverse problem”.

Although this is not ideal, the outlook would have been “much worse”, had it not been for the Liberal Democrats exerting their influence, he claimed. “We’ve moderated the policy in many ways. We have actually done a lot to make the system more economically rational.”

Mark Harper, Minister for Immigration, naturally took a different standpoint. He argued that the policy was necessary in order to put in place adequate controls, something that the last government failed to do. “We want to reduce net migration to

the tens of thousands not hundreds of thousands. It’s also not just a focus on numbers. It’s about who is coming to Britain and the skills they bring and what they bring to the country,” he countered at the Conservative party fringe event.

However, Harper conceded that there are targets involved: “If we look at migrations outside of the EU, we do have a cap on skilled migration but we haven’t gone anywhere near that cap.”

As might be expected, there was much discussion throughout all three events about the economic value that immigration brings. In the main, the consensus was that the impact of immigration is positive.

“If we look at the fiscal net contribution of EEA [European Economic Area] immigrants who arrived since 2000, they have, on average, contributed 34 per cent more in taxes than they have received in transfers, while non-EEA immigrants have paid in 2 per cent more than they have taken out of the public purse,” said Christian Dustmann, director of the Centre for Research and Analysis of Migration (CRAM).

Meanwhile, Jonathan Portes, the director of the National Institute of Economic and Social Research, referred to the recent *Fiscal Sustainability Report*, published by the Office for Budget Responsibility, which considered the impact of reducing migration to tens of thousands and found that “in 50 years from now there would either be hundreds of billions of pounds more in the national debt or we would pay about 2 or 1 more per cent in taxes”.



There are more than seven million non-nationals living in the UK today

► Harper, on the other hand, argued that the benefits are overstated. Immigrants will age, thus using more services and costing the taxpayer more money, he said. Plus, “we don’t want to be importing lots of low-skilled labour coming to Britain at a time when we have significant numbers of nationals who are unemployed”.

The student issue

One of the few groups of migrants that the government can control is overseas students. However, education is a highly valuable export and so there has been much juggling of government priorities in order to get the balance right – the compromise being that there is no cap on overseas students but a much tougher stance on those who abuse the system.

Despite this, many international students appear to have gained the impression that they are no longer welcome. In the year to June 2012, there was a 17 per cent decline in the number of students arriving in Britain from other countries, down from 239,000 to 197,000. Given that they are estimated to bring £8bn a year into the economy and generate roughly 70,000 jobs, news that their numbers are in decline has not been received favourably. Nicola Dandridge, the

chief executive of Universities UK, has aired concerns that overseas students are being driven towards competitor countries such as the US, Canada and Australia. And Boris Johnson, the Mayor of London, has warned that it is becoming “difficult for universities and the City to attract talent from abroad”.

Harper conceded that Britain needs to improve the way it advertises the policy. “There is no cap on student numbers. If we haven’t communicated it very well, that’s partly our fault,” he said. “We have to be clear about the messages we’re sending.”

He also acknowledged that more could be done to let both students and employers know about other changes to the system, such as those to graduate visas.

“What we found was a significant number of [graduates] working in low-skilled occupations and not really bringing a benefit to the UK. What we now say is that if you have a graduate-level job offer paying at least £20,300 a year, then you can stay. PhD students can stay without a job offer and we allow people to stay to do their postgraduate qualifications. But I accept we haven’t done a very good job at communicating that,” he said.

For many of our panellists, however, the issue regarding this change wasn’t the lack

of communication, but that the policy exists at all. As was pointed out, a £20,000 salary for a graduate is not realistic for all types of careers.

“Quite frankly, a lot of graduate salaries, particularly those outside the south-east, don’t get to that level. So you have a lot of companies, particularly SMEs, that would otherwise have kept some graduates on, but now cannot do that and find themselves very constrained,” said Adam Marshall, director of policy and external affairs at the British Chambers of Commerce.

Nor does this present system acknowledge the contribution that certain groups of low-salaried individuals make, such as entrepreneurs or translators.

Skills, skills, skills

Given the concern around migrants taking jobs from UK workers, it would be remiss for the panel not to have discussed this issue. Indeed, as Chris Bryant, the shadow minister for immigration, demonstrated during the Labour party fringe event, such concerns are not unfounded. He gave the example of a company recruiting for UK vacancies in Poland, in Polish, and said: “It is morally indefensible to bring people from low-wage economies from elsewhere

in Europe and charge them the cost of travel and the cost of their substandard accommodation against their minimum wage, because that is undercutting local workers and it's also exploitation."

However, as with so much of the conversation around immigration, the issue is not clear-cut. For instance, as has happened often in the past, indigenous Britons are not prepared to take certain jobs. "There are gaps that are fed by those low-skilled workers, not just in the agricultural sector but also in the services sector, especially when it comes to welfare and health care," Petros Fassoulas, head of policy and public affairs at ACCA, reminded the panel.

Equally, there are skills gaps that need to be filled. The UK engineering sector requires 200,000 graduates and apprentices but at present has access to only 65,000 suitable British candidates, something that is a big headache for business, said the director general of the British Chambers of Commerce, John Longworth.

"We need to be able to fill the gaps in the UK economy. This is not to say that business shouldn't be actively engaged in training UK citizens but, with the best will in the world, it's impossible to do that in a very short space of time," Longworth said. "So, we're in a position where, by necessity, we need to be able to import those skills. Preventing that from happening actually impedes the economy overall."

Here the Labour Party believes it has the answer: all companies with more than 50 employees should be required to take on an apprentice for every member of staff they recruit from outside of the EU.

"It's a simple measure that could have an enormous impact," said the policy's architect, Chris Bryant, who stated how it will not only help address the problem of youth unemployment but will also deter employers from abusing their workforce.

"There are rights and responsibilities for big businesses just as there are for the rest of us. We won't put up with [businesses] undercutting [unskilled labour] by the various means that unscrupulous employers use to renegotiate their way round loopholes in the minimum wage," he said.

It is not a policy that has been well received by British business, however. Longworth described it as "a disservice to both apprentices and to immigration". He would prefer an immigration policy based on points and an apprenticeship system that encourages an enterprising environment.

"If a company needs 200 unskilled workers to do vegetable packing in the season, to also expect them to provide an equivalent number of apprentices is a complete fallacy," he said.

The leadership challenge

It isn't just hard skills that Britain benefits from. As ACCA research has shown, business and finance leaders increasingly require international experience in order for them to perform effectively within a competitive marketplace.

"We need to cultivate our global outlook in people, and migrations to this country are one of the ways in which we can improve that," said Ewan Willars, policy director at ACCA. "Businesses need people who can take a more strategic view of the business and who have international experience at board level. We're trying to actively encourage and enable the CEOs of tomorrow to gain a much broader global viewpoint of business. When a company offers rich cultural diversity and a blend of skills and nationalities, it drives innovation and has R&D and productivity benefits."

"If we have free trade,
we have to have free
movement of labour"
Christian Dustmann

Not only that, but foreigners who study and work here and then return to their home countries help create positive trade links, which in turn helps the UK position itself as a world leader.

"Immigration contributes to the UK's ability to be a centre for international trade, therefore it should increase the economic prosperity of this country. An artificial cap on immigration risks sending out entirely the wrong messages," Stevenson said.

This was reiterated by CREAm's Dustmann. "If we have free trade, we have to have free movement of labour. If you cap labour, you will cap growth," he said.

The elephant in the room

The economic case was well presented at all three debates. Yet there was an overriding difficulty that could not be ignored – what Vince Cable described as "absolutely toxic public opinion", fuelled in part by the press. How to deal with this became the subject of much discussion.

"There is a complete disconnect between the public discourse and the business case that all of us are trying to put forward," Adam Marshall said. "Businesses get very frustrated because they see the relentless march of the media and don't understand why [immigration] is being presented in this way."

If British businesses are to counter the negative press coverage they need to do more to demonstrate they are working hard to create opportunities for UK nationals. "We need to commit to upskilling our own population, which has been marginalised because of a lack of skills and training. A lot of industries already do a huge amount but until businesses begin to pull in the same direction, I don't think we'll fully get that resentment out of the press," Marshall said.

Evidence-based education is the primary way to resolve this, as is the need, too, for consistency of government policy. In the short time between the party conferences coming to a close and this report going to press, there have been certain U-turns. The use of "Go home or face arrest" mobile advertisements has been stopped after the pilot was widely criticised, and a plan to make visitors from some countries pay £3,000 in bonds before entering the UK was scuppered following objections. Most recently, the Prime Minister has announced tougher rules on welfare for EU migrants – even though there is little data suggesting that benefit tourism exists.

A European Commission report, compiled using data from EU member states including the UK, shows there is no evidence that mobile EU citizens represent a heavy burden on social security systems in the host countries.

Indeed, contrary to what the government would have us believe, just 1.7 per cent of eastern European citizens in the UK are on Jobseeker's Allowance, and only 5 per cent receive housing benefit, according to figures from the Centre for European Reform.

The constant policy shifts make it very difficult to keep up, said Marshall. "Of course businesses are concerned about the local impact, and they want migration policy, skills and training policy, and benefits policy to be better integrated. But they have the view that migration policy has to be practical, not dogmatic."

Is a cap on immigration a cap on growth? For British business, the answer is yes. The general public, on the other hand, will need much more convincing. ●

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