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The Potential Lifetime Costs of an Amnesty

Summary

1. The Government is already saddling our next generation with huge debts. Uncontrolled immigration from developing countries, and in particular an amnesty for illegal immigrants will add still further to government debt. A two child family living on the minimum wage whose parents live to 80 years of age costs the taxpayer between £900,000 and £1.1million over their lifetime.

Introduction

2. There are numerous factors that impact on the costs and benefits of immigration. As a contribution to understanding these factors this paper examines just one aspect - the long term costs of some immigration and, in particular, the long term impact of the proposal for an amnesty for illegal immigrants. Similar considerations apply to asylum seekers who are granted settlement. They may also apply to some low skilled immigrants from developing countries, perhaps admitted under family formation.

3. The paper examines the 'total lifetime' cost of a 25 year old immigrant who works for the minimum wage, marries, has two children, does not have a pension and therefore in retirement receives Pension Credit, and lives throughout in private rented housing. The evaluations in this paper take the costs from the date of marriage at aged 25 through 40 years of work to retirement at 65 years of age and then 15 years of retirement.

Detail

4. The major component of the costings is Housing Benefit. An immigrant couple living on the minimum wage and who then retire on Pension Credit, will receive Housing Benefit and Council Tax Benefit throughout their working life and throughout their retirement. The total Housing Benefit they receive will be £291,000 plus a further £19,000 in Council Tax Benefit.

5. There is a high concentration of immigrants in London. For example it is estimated that 70% of illegal immigrants live in London.^[1] As rents are considerably higher in London, the total lifetime costs for a two child family resident in London is £1.1million, of which £505,000 is Housing Benefit and Council Tax Benefit.

6. The London School of Economics has recently prepared a report for the Mayor of London on the scale of illegal immigration. Their estimate is that there are between 500,000 and 860,000 illegal immigrants (excluding UK born children)^[2]. Clearly some of these immigrants will already be married, or will not marry, and some will work above the minimum wage so that their Housing Benefit will be lower. On the other hand they may have families of more than two children, thereby attracting more Child Benefit and Child Tax Credit (which amounts to £2,925 per annum per additional child or £47,000 over the first 16 years of the child's life). Or they may be unemployed - immigrants are, on average, more likely to be economically inactive than the UK population as a whole.

7. The Table below summarises some of the lifetime costs for a family working for the minimum wage.

£000's	Total UK average
Income Tax	
Working Tax Credit received	118
Child Tax Credit received	80
Minus: Income tax paid	-32
Tax Credits received minus income tax paid	166
Child Benefit received	28
Housing Benefits	
Housing Benefit received	291
Council Tax Benefit received	19
Total Housing Benefits received	310
Pension Credit received	155
Health and Education	
Education	88
National Health Service	167
Minus: National Insurance payments	-21
Total Health and Education	234
GRAND TOTAL (£000's)	893

More detailed analysis of this summary can be found in Annexes A and B attached.

8. Because rents are higher in London the Housing Benefit received will be £486,000 compared with the £291,000 UK average shown in the above statement. The resultant total lifetime costs increase from £893,000 to £1090,000.

9. The foregoing is not a comprehensive list of the costs. There are numerous other cost headings involved, such as Social Services, transport, policing and interpreters.

Housing Benefit

10. This is by far the highest benefits cost category incurred by the taxpayer for a family living on the minimum wage. It should be noted that earnings have to be significantly above the minimum wage before no means tested Housing Benefit is received.

Pension Credit

11. Someone who is now 25 years of age can expect to live to 80 years of age. Estimating the lifetime cost of an immigrant family exposes the full cost of retirement benefits. Families with little or no earned pension are entitled to Pension Credit and are also entitled to full payment of their rent and Council Tax. The average total cost for a couple who live for 15 years in retirement amounts to £266,000 (£154,000 Pension Credit and £112,000 Housing Benefit). The equivalent figure for a couple living in London is £324,000.

An amnesty for illegal immigrants

12. On 16th February 2009 the London School of Economics issued a report commissioned by the Mayor of London and titled "Economic impact on London and the UK of an earned regularisation of irregular migrants in the UK".

13. The report provides an updated estimate of the likely number of illegal immigrants as at the end of 2007. The estimate is:

	Lower estimate	Higher estimate	Central estimate
Number of illegal immigrants	499,000	863,000	659,000
Number of UK-born children	25,000	84,000	66,000
Total	524,000	947,000	725,000

14. The LSE paper is an interim report. The next stage in the LSE study being to identify the attributes of major categories of irregular migrants and the costs of service provision[3]. The cost headings in this paper reflect those in the London School of Economics Interim Report.[4]

15. Clearly there are a number of factors that will influence the cost of an amnesty. On the one hand for some immigrants the costs will be lower than the estimated £900,000 per immigrant (£1.1million for London) because, for example, some immigrants will already be married to an illegal immigrant or some will not marry. Others will work for more than the minimum wage. On the other hand, some illegal immigrants will, for example, have more than two children or will bring an existing wife and children from their country of origin. Each additional child costs £2,925 a year extra in Child Tax Credit and Child Benefit alone which equates to £47,000 over the first 16 years of the child's life. Immigrants from developing countries bring to the UK, or raise in the UK, family sizes on average greater than the UK average.

16. A further factor that would increase the costs would be employment status - the costs for an unemployed immigrant family would be higher than for an immigrant family living on the minimum wage. In addition to unemployment benefits they would also receive higher Housing Benefit and Council Tax Benefit, plus free school meals and other free benefits such as free medical prescriptions.

17. The extra costs for unemployed immigrants are particularly important because on average immigrants are more likely to be economically inactive compared with the UK average. For example, compared with the UK average of 22% of the working age population being economically inactive, Somali, Bangladeshi, Pakistani and Iranian immigrants are likely to be 81%, 56%, 55% and 48% economically inactive respectively[5].

Asylum seekers

18. The cost of granting settlement to an asylum seeker is similar. Some will have qualifications and will achieve a level of English that will enable them to earn considerably more. But for those who don't achieve higher earnings, the entitlements and therefore the costs will be the same. In this context the failure of the Home Office to be represented in up to a third of asylum appeals is reprehensible. They see a grant of settlement as a "saving" to the Home Office budget for asylum but transfer to the welfare system is, in fact a huge cost to the taxpayer.

19. Some of those admitted as spouses are similarly unqualified and are likely to be a heavy cost to the taxpayer for similar reasons.

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NOTES

- 1 London School of Economics paper '**Economic impact on London and the UK of an earned regularisation of irregular migrants in the UK**' section 16 published 16th February 2009.
- 2 LSE paper section 12
- 3 LSE report section 25
- 4 LSE paper section 21
- 5 Report titled: '**Britain's immigrants: An economic profile**' published by the Institute for Public Policy Research.

Attachments:

Annex A Estimated lifetime costs –using UK average rents

Annex B Estimated lifetime costs –using London area rents

[Download Excel Document of Annex A and B](#)

The cost bases used in the statements are the 2009/10 Income Tax, Tax Credits and Benefit rates. UK average rents have been taken from the 2008/09 Department for Work and Pensions Tax Benefit Tables, uplifted by 5%. London area rents have been extracted from the Valuation Office Agency allowable Local Housing Allowance rents.