Media Release

Embargo: immediate Tuesday 28 February 2017

£30 billion cost of EU migrants threatens UK pensions and benefits

- **New report demonstrates immigration to UK from EU costs £30bn a year rather than provide additional tax revenues**
- **Low-paid jobs contribute little to UK economy but cost the Treasury in public services and unfunded benefits**
- **Only leaving the Single Market allows Treasury to afford pension and benefit bill**

A new report on the cost of mass migration from the EU challenges the received wisdom that the UK needs immigration to grow the economy and fund public services and the benefit system. It demonstrates that the consumption of public services and relatively low levels of tax contribution caused by a combination of Single Market tax rules and the low pay of many EU migrants costs the Treasury tens of billions.

The report '*How the £30bn cost of EU migration imperils pensions & benefits*' written by City finance expert Bob Lyddon, and published by Global Britain, explains in detail how new jobs created during the UK's economic recovery from the 2008 financial crisis are concentrated in low-wage/low-skill jobs in "tax-efficient" UK supply chains of multinationals. This means there is no Corporation tax take for the UK, any net VAT belongs to Brussels, and the payroll taxes can be as little as £500 per employee or even non-existent.

Since there are estimated to be 2 million EU migrant workers in the UK and 1 million non-working dependents, and average UK public spending per head is £10,500, so the consumption of UK public services by the 3 million citizens of other EU Member States comes with an annual cost of £31.5 billion.

Two million employees delivering an average of £500 tax take each generates just £1 billion per annum, to set against the £31.5 billion cost of providing public services. In effect the UK is simply subsidising multinational companies and their EU migrant workforce to run a business model that drains money out of the UK.

Continued/…

…/Continued

Commenting on his report Bob Lyddon said:

"It is a common misconception that our pensions and benefits are financed from a pool established by past taxes and national insurance contributions, when today's pensioners and other benefit recipients are actually funded out of current taxes and public borrowing. Today's workers are now paying for the current pensions and benefits and in turn will have their pensions and benefits paid out of the contributions of future workers.

"With the number of people of pensionable age growing and also living longer it is said we need migrants to fund the growing gap between the falling tax revenues and the increasing pension and benefit liabilities through their additional taxes. This once might have been true but the relationship has changed; due to the low levels of tax and NIC contributions from low paid migrants, instead of contributing to the funding of pensions and benefits their contributions will not be enough to fund what they are drawing down in public services and benefits now, and the UK's liabilities for future pensions that they will be entitled to will grow rather than shrink.

"Brexit provides a perfect opportunity to both put a stop to the business models that drain money out of the UK into other EU Member States, and to introduce a migrant worker regime that works for the country as a whole and not just for the employer and employee.

"A £30 billion annual cost is just under half the annual public spending deficit of £68.2 billion. Add the lost taxes due to EU "tax-efficient" business models and our EU Member State cash contribution – each being £10 billion per annum – and we have £50 billion per annum as a potential saving.

"Over the same period as the Institute for Fiscal Studies has predicted a £60 billion 'black hole' in the public finances due to Brexit, there is actually a £250 billion opportunity. What it needs is determination and leadership by the British government to grasp it."

ENDS

For further information please contact: Global Britain at 0754 079 0754
Editors' notes:

- "How the £30bn cost of EU migration imperils pensions & benefits" is the seventh in a series of essays entitled The Brexit Papers, raising detailed questions about the UK-EU relationship that could effect the Brexit negotiations. A soft copy is attached.

Continued/…

…/Continued

The paper's Executive summary states

1. EU economic migration represents a £30 billion per annum cost to the UK
2. There are estimated to be 2 million EU migrant workers in the UK and 1 million non-working dependents
3. Average UK public spending per head is £10,500, so the consumption of UK public services by the 3 million citizens of other EU Member States comes with an annual cost of £31.5 billion
4. The new jobs created during the UK's so-called recovery from the 2008 economic crisis are concentrated in low-wage/low-skill jobs, and specifically in the "tax-efficient" UK supply chains of multinationals
5. This means there is no Corporation tax take for the UK, any net VAT belongs to Brussels, and the payroll taxes can be as little as £500 per employee or indeed, depending upon personal circumstances, non-existent
6. 2 million employees delivering £500 each means a tax take of just £1 billion per annum, to set against the £31.5 billion cost of providing public services
7. The take-home pay of these employees is not such as to create any meaningful blip upwards in UK economic growth
8. In effect the UK is simply subsidising multinational companies and their EU migrant workforce to run a business model that drains money out of the UK
9. The UK government seems to be blissfully unaware of this, and continually postpones the date when the public spending deficit is eliminated and the national debt starts to come down, whilst rejoicing at the anaemic level of GDP growth but the strong growth in numbers of jobs
10. The point is that the public finances – and the UK as a whole - would be far better off if these jobs did not exist at all
11. A £30 billion annual cost is just under half the annual public spending deficit of £68.2 billion
12. Add the lost taxes due to EU "tax-efficient" business models and our EU Member State cash contribution – each being £10 billion per annum – and we have £50 billion per annum as a potential saving
13. Brexit provides a perfect opportunity to both put a stop to the business models that drain money out of the UK into other EU Member States, and to introduce a migrant worker regime that works for the country as a whole and not just for the employer and employee
14. UK sovereignty means that the UK public interest in this area is no longer automatically overridden by the opinion of the EU authorities as to the interests of the EU as a whole
15. Over the same period as the Institute for Fiscal Studies has predicted a £60 billion 'black hole' in the public finances due to Brexit, there is actually a £250 billion opportunity
16. What it needs is determination and leadership to grasp it