

Justice and Home Affairs Committee

Corrected oral evidence: Family migration

Tuesday 19 July 2022

10.35 am

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Members present: Baroness Hamwee (The Chair); Lord Blunkett; Baroness Chakrabarti; Lord Dholakia; Baroness Hallett; Lord Hunt of the Wirral; Baroness Kennedy of The Shaws; Baroness Pidding; Baroness Primarolo; Lord Ricketts; Baroness Sanderson of Welton; Baroness Shackleton of Belgravia.

Evidence Session No. 2

Virtual hearing

Questions 15 - 22

Witnesses

[I](#): Professor Christian Dustmann, Professor of Economics, Director of Centre for Research and Analysis of Migration at University College London; Professor Alan Manning, Professor of Economics at London School of Economics; Professor Simone Moriconi, Department of Economics and Quantitative Methods at IESEG School of Management.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Professor Christian Dustmann, Professor Alan Manning and Professor Simone Moriconi.

Q15 The Chair: Good morning. Welcome to the Justice and Home Affairs Committee. This is another evidence session in our inquiry on family migration. This is the hottest day of the year. If people melt in front of your eyes, and you are watching this after the event, that is why.

Family migration policies are often justified on fiscal and economic grounds. As a committee, we need to consider the impact of family migration on the economy and on the public purse as part of our inquiry. That is the focus of today's meeting.

I would like to welcome Professor Christian Dustmann, Professor of Economics at UCL; Professor Alan Manning, Professor of Economics at the LSE; and Professor Simone Moriconi at the Department of Economics and Quantitative Methods at IESEG School of Management in Paris.

We have a number of questions for you. We are aiming to finish this session at around 11.15 or 11.20. I have a rather general question. In economic terms, how do migrants coming on a family visa compare with other migrants? How does that status affect their economic and fiscal contribution compared with other migrants?

Where shall we start? Who wants to volunteer? If not, I will volunteer you.
Professor Alan Manning.

Professor Alan Manning: I will try to answer that. We do not have as good data as we could have, and probably should have, to answer your question, which is a very pertinent one. What we do have is the annual Labour Force Survey, the population survey. People are asked the main reason why they came to the UK, and family is one of those reasons. We can look at how the outcomes of people saying that they came for family reasons compare with other sorts of migrants and with the British-born population.

Generally, we find that they are very heterogeneous, as one would expect, but on average their economic outcomes tend to be a little bit worse in employment and earnings.

The Chair: Professor Dustmann, do you want to add to that?

Professor Christian Dustmann: We do not currently have access to the particular edition of the Labour Force Survey that allows us to identify family immigrants. This session is about family migration. I was told too late to access the data. However, perhaps I can add our work from the European Union Labour Force Survey. That gives a picture of what it looks like in other European countries. If we look at family migration in those countries, it very much reflects what Alan has already said—

The Chair: I am sorry. Your line seems to be very bad. Could you start that sentence again?

Professor Christian Dustmann: Sorry. The attachment of family immigrants to the labour market—

The Chair: We are not hearing you. Is it necessary for Professor Dustmann to go out and come in again? Could one of the staff help?

Professor Christian Dustmann: Can you hear me now?

The Chair: That is better.

Professor Christian Dustmann: The attachment of family immigrants to the labour market in other European countries is generally lower than that of migrants who come for work purposes. There is a gender divide. While men are usually catching up with men who come for work purposes, that is to a lesser extent the case for women. That very much reflects what we see in the UK, according to Alan, looking at that particular version of the Labour Force Survey.

The Chair: Do you want to say something about EU citizens and how their now falling into this cohort might affect the picture?

Professor Christian Dustmann: Again, it is difficult for us to answer that because we cannot identify European migrants who come for family reasons in the data we currently have available. What can be said, if we look at the National Passenger Survey over the past two decades, is that family migration was a far lesser reason for European migrants than it was for non-European migrants. The share of non-Europeans who came for reasons related to family reunification was much higher than that of European migrants. That is all I can say about that at the moment.

The Chair: Professor Moriconi, do you want to add to that?

Professor Simone Moriconi: Yes. I totally agree with what Alan and Christian have said. There are not many data we can use to say exactly who these family migrants are. Beyond what has been said already, we are speculating a bit on the characteristics of these migrants.

If we compare family migrants with individual economic migrants, we may say that family migrants come at a later stage of life, in the sense that they come to the UK once the family formation decision is taken. In a sense, we may argue that family migrants are people who come a bit more during the prime age, let us say. It is reasonable to think this, but, again, we cannot say it with complete assurance in terms of the data that we can collect, for the reasons we have said already.

In terms of a comparison between EU and non-EU countries, we can say what we know about regular migration. It makes sense for family migration. Non-EU migrants, or migrants coming from non-EU countries, are likely to come with more children compared to migrants coming from EU countries. That is mostly due to the fact that most non-European countries have higher fertility rates. To some extent, these migrants carry on their fertility from a country of origin, even though we know from the literature that they assimilate very quickly to the behaviour of

natives—in this case, UK-born individuals. This is what I can say about the characteristics of these family migrants at this point.

The Chair: Do any of you think that one of our recommendations should be about the data that is available?

Professor Alan Manning: Yes, very definitely. We would have much better information if, for example, we could link data on who has what sort of visa to subsequent information; for example, HMRC data on earnings and DWP data on benefits, and things like that. The Migration Advisory Committee that I was part of for a while has a long-run project to do exactly that linkage, and not just for family migration. It is a really big limitation on the evaluation of all migration policy data that we just cannot do this at the moment.

The Chair: We will come back to that. We might come to you, if we could, following this meeting to ask for views on some detail of that.

Q16 **Baroness Primarolo:** Good morning. Bearing in mind what has already been said by all of you as witnesses with regard to the available data, I was going to ask you what family migrants contribute to the public purse and what they cost. The reason I wanted to ask that question was to drill down into this rather complicated idea of net fiscal impact, which obviously plays a very big part in UK immigration and particularly the protection of public finances.

Even with the limitations on the data, could you unpack that for us and give us a picture of contributions to public finances and costs on public finances of family migrants? I absolutely understand what you are saying about access to HMRC data being a limiting factor here.

Professor Manning, do you want to start? I think we need to understand how that calculation is done and how it might vary with regard to family members.

Professor Alan Manning: Christian might be the best person to talk about the methodology, as basically everybody follows his methodology in doing this. I do not think anyone has specifically taken family migrants and done an assessment of their net fiscal position. It would be possible to do it, using existing methodologies. If we did it, my expectation is that, taken as a whole, it would come out slightly negatively.

My reason for saying that is that, generally, non-EU migrants come out in these studies with a more negative fiscal contribution than the British-born. Family migration is a big part of the stock of non-EU migrants. It is the biggest category of family migrants. I would expect that is what you would find. Reinforcing that expectation would be what we have just talked about, that in terms of labour market outcomes, things tend to be a bit worse for family migrants.

Baroness Primarolo: Professor Dustmann, do you want to deal with that point? I notice that one of the major studies says that the fiscal impact of migrants is “rather limited” when it is looked at in the round. Perhaps you could update us on that.

Professor Christian Dustmann: I do not know what study that is. Let me tell you briefly what we have been doing, and what we are doing currently.

One of those reports was published in 2014. We looked at all immigrants who have arrived since 2000. We evaluated their fiscal impact over the entire period they have been in the UK. In that particular case, it was between 2000 and 2013, one year before publication of that report. How have we done that? We took all the budgetary items that we found in the statistical data of the ONS. If it comes to expenditure for, say, health services, the Army, et cetera, as well as tax contributions, we allocated them to groups of immigrants using data from the UK Labour Force Survey. That allows us to construct a very detailed and transparent picture of the fiscal contribution of different groups of individuals in this country.

For instance, we could distinguish between EU immigrants and non-EU immigrants. Of course, assumptions have to be made. We presented a very large array of different robustness checks, where we changed these assumptions, but the overwhelming message from that study, and many subsequent studies that have been conducted, was that the net fiscal contribution of immigrants has been overwhelmingly positive. That refers to those who came after 2000 to the UK. It was larger for EU immigrants than for non-EU immigrants.

Of course, this is a study that is backward-looking. We would also like to understand what the fiscal impact of immigrants is over their entire migration cycle. That implies that we need to look into the future. One reason why we were able to draw such a positive picture in our previous report was that immigrants tend to be younger. They have a very strong labour market attachment, a very low unemployment rate and a very low demand for services such as health services, et cetera.

What happens when they age? There, we need to look into the future. We are doing that in a current study. I wish I could report more about that, but we are still conducting some tests and I do not want to say anything before everything is very stable. We take the same approach and translate that into the future. Of course, there is a set of assumptions that we always need for any such work; for instance, to project how a particular cohort of immigrants who came in 2000 contribute over the entire migration cycle. That implies that we take account of a number of very important issues, which are important for this discussion.

For instance, if immigrants have a very high propensity to return—and that is the case for EU immigrants—they may be here in the UK in their most productive years but draw on services when they age back in their home country. We need to consider all these things when we look at the dynamic aspects.

The very preliminary findings—and I want to be careful in reporting them here—is that the picture is not changing very dramatically. If we look at EU immigrants and non-EU immigrants, both groups seem to contribute significantly in terms of net fiscal contribution to the fiscal budget, even if we take that life cycle perspective. Again, EU immigrants are higher contributors, which is related partly to their much

higher propensity to return home. For instance, the Polish graduate who comes to work in the UK for five or six years and then goes back to Poland will draw on public health services in Poland, but not in the UK when that individual has aged.

I am very happy to report more to this committee when we have conducted our study and concluded it.

Baroness Primarolo: Thank you very much. I will quickly ask what might seem a very pedestrian question before asking Professor Moriconi if he would like to comment. When looking at current contributions, where there is a net contribution, and possible future requirements for public services as those people get older, I presume it is compared with a UK resident over that same period. The demand is not going to be greater when it occurs for elderly care, or something like that. Am I correct? Professor Moriconi, I can see you nodding, so perhaps you would like to explain to me that we are going to compare like with like.

Professor Simone Moriconi: My view on this is that when it comes to people who have been residents—permanent migrants, because basically what we are talking about here are permanent migrants, people who have been staying in the UK for many years and are undergoing the process of ageing—they have been contributing to the UK and bringing up their children in the UK. It is true that we do not have to think of them in a different way compared to natives in terms of their request for social services such as health. Obviously, this is something to consider.

We also have to consider what Christian mentioned. It is likely that some migrants who have spent their most productive years working in the UK may decide to return at some point to their country of origin. This is also a possibility to take into consideration.

I wanted to add something to what Christian mentioned earlier. That is the role of children in the picture. In a sense, the exercise that Christian mentioned—connecting the evaluation of migration to the entire life cycle of the immigrant—is crucial here. We are really looking at people who have taken a quasi-permanent or permanent decision to reside in the country. We really need to evaluate their contribution today to their country of destination, to the UK, in the same way as we evaluate the contribution of UK-born individuals. These people are going to be educated in the UK. They are going to provide productivity to the UK. They are going to contribute to the UK with their skills, their set of qualifications, to the public purse and to the labour supply in the UK. It is crucial to know this life cycle effect to measure the true medium-term effect of migration rather than limiting ourselves to the short-term costs of migration in terms of public spending.

Professor Alan Manning: I would just add one thing on the like for like, because I do not think we are actually comparing like for like, if you compare migrants who have come since 2000 with the British-born population, who are going to be much older, on average. If you take non-EU migrants as a whole, all the studies find that their net fiscal contribution is more negative than for the UK-born. I do not want to

exaggerate the size of it. If you take those who came after 2000 and said it is positive, that means that those who came before must be even more negative.

One issue that has rightly been mentioned is how likely people are to return. The migrant journey statistics suggest that, for people who have come on family visas, something like 85% still have valid leave to remain in the UK after 10 years compared to something like 25% for those on work visas. Return migration is much less important for family migrants, not surprisingly because they are coming to form a family.

Baroness Primarolo: If a child comes here, for how long do we have to say they are a migrant before we stop assessing their contribution? Is there not a point at which they are not designated a migrant any more? I see that Christian has put his hand up. Do you want to come back on that?

Professor Christian Dustmann: That is an excellent question. I have just been talking about what we do in our dynamic analysis. We consider everybody who has been born in this country as British. I think that makes a lot of sense.

Coming back to what Professor Moriconi mentioned, one analysis we have concluded is to look at children. If we compare individuals who come as children to this country—who are foreign born but come around the age of four, five or six—and compare their fiscal contribution over the life cycle to native children, those contributions in net terms are very similar, so not very different.

Coming back to Alan's point, of course the demographic structure of immigrants who came since 2000 is different from that of natives. That was exactly the point and is exactly the reason why we conduct a dynamic analysis now. If you want to take data and compare immigrants and natives at a particular time, it is not accurate either. If, for instance, we look at an old population and go back to the 2000s, the non-EU immigrant population was relatively old. They came between 1950, 1960 and 1970. We miss out all those years in our analysis where they have been productive. That is something we do not want to do either. That is why we think the clean approach is to go back as far as possible in the data and start evaluating cohorts of immigrants over their migration cycle from the point that they enter the UK and appropriately comparing them to a native cohort. That is precisely what we are doing right now.

I agree with Alan. Whenever we talk about the fiscal impact of immigration, we have to be very careful what kind of questions we ask and what kind of questions our analysis is answering. Our analysis in 2014, for instance, answered the question: what is the fiscal impact of immigration since 2000 on the public budget for those immigrants who basically came in the period between 2000 and 2014? The question we are asking now looks at the entire life cycle and compares it to natives, which addresses the issues that Alan mentioned.

We must always be very careful what question a particular analysis is actually answering. That can lead to very different conclusions.

Baroness Primarolo: Those are excellent answers. I could ask more questions, but I know that we have to press on. If there is anything else that any of you would like to say on this subject, perhaps you could put it in writing. It is a really important discussion.

The Chair: Before I come to Baroness Sanderson, Lord Dholakia and Baroness Chakrabarti would briefly like to ask a question.

Lord Dholakia: One of the points we do not seem to have answered is that migrants make a contribution in terms of remittances. America and Canada produce that figure about countries, such as the Philippines, Thailand, India and Pakistan, that benefit in terms of people receiving funds from family members. That actually enhances the prosperity in those countries. Are such figures available in this country?

The Chair: I will ask Baroness Chakrabarti to ask her question, and then we will get both the answers together.

Baroness Chakrabarti: Mine was on the extent to which this question of fiscal impact is affected by other decisions—for example, how much we pay people in the NHS. It seems to me that fiscal impact must partly be about how much you are earning and how much tax you are paying. If you are quite wealthy but not being charged very much in tax, on the one hand, or if you are working as a specialist carer or doing another job in the NHS but are underpaid, that is going to have an effect on your fiscal impact, that you cannot do very much about.

Professor Alan Manning: I believe there is data on remittances from the UK to other countries. I have not really studied it myself, so I could not start quoting it. You are quite right that total remittances are much bigger than, for example, all overseas aid. In terms of money flowing to lower-income countries, it is incredibly important.

On the question about the net fiscal contribution, it is based on what people actually earn now and not what they might earn under some alternative tax system or some alternative wage structure. It would be affected by that.

As to occupational distribution, I think family migrants seem quite similar to the rest of the population. They are a little bit different, but not massively different. I am not sure that would make a huge difference, but I have not done that calculation.

Q17 Baroness Sanderson of Welton: My question is on the Minimum Income Requirement, which was introduced to ensure that those coming on family visas do not represent a burden on the public finances. The MAC has since said that too much weight may have been given to that metric, but if we look just at its original, admittedly quite narrow, ambition, does it achieve its objective? Professor Manning, given your previous role, we will come to you first.

Professor Alan Manning: Okay, although I was not on the MAC either when that report was written or when the subsequent recommendations were made.

There are a lot of questions about how effective it is as a rule. The easiest way to understand that is that it was projected to have a huge impact on the number of family visas issued. The MAC said that it would be reduced by two-thirds. The Home Office said that it would be reduced by 40%. If you looked at the number of family visas issued, on a graph over time, and did not know when this apparently big policy change had been made, you would struggle to identify when this policy was introduced. There were two quarters when it was down by 30%, and then it very quickly went back to exactly where it had been.

Although I am sure that you have had testimony about the way in which it has affected people's lives, in the aggregate I am not sure that it has had that much effect. We also see people on family visas reporting being family migrants in workless households, which should not really happen according to this. The problem is that it is based on a very backward-looking, narrow-in-time, narrow-scope definition of income. Actually, whether you are a burden on public funds will depend on your earnings over the 20 or 30 years after you enter the country, not the six months before. I suspect that it is very ineffective.

Baroness Sanderson of Welton: Quite. Professor Dustmann, do you have anything to add to that?

Professor Christian Dustmann: Yes. I am always a bit careful about minimum earnings thresholds. Alan and I had a lot of discussion about that. The reason is that the role of the minimum earnings threshold in assessing the fiscal contribution is potentially very misleading. The fiscal contribution of a migrant over the migration cycle depends, of course, on how their earnings develop. The higher the earnings are, the more taxes that individual can pay, but only if the individual works, so the labour market attachment is very important.

It also depends on how much the individual takes out of the fiscal budget compared with what they put in, so the demand for services is very important. The return intention of the individual is very important. If the individual stays in their productive years but returns at an older age, even if he or she arrives with low earnings, the contribution may still be much higher than that of an individual who arrives with higher earnings.

Lastly, let me point out that the implementation of earnings thresholds also has an impact on the behaviour of migrants. It has an impact on who will come to this country and whom we may wish to attract. There may be a person from country X who is highly skilled and could be very productive and important for the UK's labour market but whose wife is not working, does not want to work or has very low earnings. The decision of that person will depend very much on how the visa situation is not only for him but for his family. One must always consider those circumstances as well and not focus on the earnings threshold as a sole means of controlling or affecting fiscal contributions.

Baroness Sanderson of Welton: Essentially, you are saying that it is quite a blunt mechanism. Professor Moriconi, is there anything that you want to add?

Professor Simone Moriconi: Professor Dustmann and Professor Manning are much more experienced and expert on this specific policy measure than I am. I want to reconnect to what Professor Dustmann was saying. We have to consider what the effect of measures such as the Minimum Income Requirement is on decisions taken by migrants. In the end, what we are looking at here is a first-earner migrant who is already in the UK, is earning an income and is filling in an application for a visa to reunite his family.

Professor Manning mentioned how difficult it is to measure the true effect and impact of this policy. Introducing an income threshold basically separates a family. Besides considerations about the well-being of people, there are economic impacts. The economic impact that it is important to consider is the fact that when a family is separated the first earner of the family will send remittances, as Lord Dholakia mentioned previously. In a sense, those remittances are eliminated from the expenditure circle of the UK economy and go to another country. If I am not wrong, the order of magnitude of remittances that are sent out of the UK is double the size of the remittances that come back to the UK. That is something to consider.

The other thing is connected to children. We are keeping families and children in their country of origin. Besides considerations regarding the well-being of families that are separated, if we believe that these persons have the potential to be productive UK residents in the future, that is a side-effect, in a sense, of measures such as the Minimum Income Requirement that we may want to consider in the design of new policies or the revision of policies of this kind.

Baroness Sanderson of Welton: Quite. It is not just the in-and-of-itself problems but the consequences of it. I could ask further questions, but Baroness Kennedy will probably outline those.

Q18 Baroness Kennedy of The Shaws: We will have to produce a report—at least we want to produce a report—on some of these issues. That is what my next question will try to press you on, despite your scepticism about the value of the Minimum Income Requirement. If there is going to be a minimum income requirement, how could we improve on it so that it achieves its objective? What should and should not count?

Professor Alan Manning: One place to look at is what other countries do. Most countries have something along the lines of a Minimum Income Requirement. If you are going to have it, it is about the level you are going to set it at.

Another approach is to have people post bonds against actual subsequent use of public funds. It may well be, for example, that the partner coming to the UK starts earning. Although that family might have been a burden on public funds if the person initially in Britain had continued to be the only earner, it turns out that that is not the case. Perhaps one should think about ways of using ex-post criteria a bit more than ex-ante criteria. I do not think that there is any magic solution to this or that there is any perfect system. Every system has its advantages and disadvantages.

Baroness Kennedy of The Shaws: Professor Dustmann, do you have any thoughts on this? How could one improve it?

Professor Christian Dustmann: I agree with Alan. One useful approach is to rephrase the objective. Family members are greatly heterogeneous. If somebody brings his or her grandpa or grandma, even if that person has had a very high salary wherever they come from, they will not make a huge contribution any more to the UK because they will retire.

If you are talking about partners, we actually want them to contribute in one way or another to the UK labour market—to bring their skills into the UK labour market. That is the key issue here. I would encourage you to think in a slightly wider way about how we want family immigrants to behave when it comes to contributions to this country, rather than just to focus on an earnings threshold. These are long-term decisions and profiles. People will stay for a longer time when they come for the reason of family reunification. We should look at that a little more generally, rather than focus on one particular number in time.

Baroness Kennedy of The Shaws: Professor Moriconi, I will come to you in a minute. Forgive me if I am being obtuse, but there is something I am still not clear about. Do we have evidence that, in making these decisions, the Home Office is being as nuanced as we are suggesting? Does it look at it and say, “Yes, this wife is in her 30s. She is likely to produce more children, but in the fullness of time that means that we will have a family that will be part of our workforce and, therefore, this is an investment”? Do we take into account whether they are English speaking—whether they have language skills already?

Are those things considered or, as I suspect, do we consider rather crude things? If the money is there, you are through the door, but if the money is not there, there are problems. Do you have evidence as to how those decisions are made? Is it simply utilitarian? Are we just looking at whether people will pay taxes?

Professor Christian Dustmann: Alan is probably in a better position to answer that.

Professor Alan Manning: There are rules written down in the Immigration Rules, and you have to tick those boxes. There is a minimum language requirement. It is not terribly high. It is not high enough that you would hold down a very good job if that was all that you had. Some have more. No, it is not prospective. It looks at the current situation.

The arguments for family migration are based on rights to family life. Then there is the question of whether there is some kind of public interest on the other side. Obviously, some families that form among British citizens have a high likelihood of being a burden on public funds. That is just the way it is. We would never dream of limiting the formation of those families in any way whatever, but we apply different rules when it comes to the families of British citizens wanting to marry foreign citizens.

Baroness Kennedy of The Shaws: We are talking here about migrants, so the comparison with somebody who is British born is not really helpful. I am trying to work out, in determining whether we let somebody enter who may have a skill and who has the money to get through the door, but who has seven children and a granny, whether we think, "Oh, this is going to be costly to us". Is that part of the calculation?

Professor Alan Manning: It certainly is for adult dependent relatives, where the rule change made it virtually impossible. Adult dependent relatives are a problem. The big question is that they are not going to contribute economically, and someone is going to have to pay for the likely health and care costs that we all face as we age. Adult dependent relatives make this trade-off very acute between the right to a family life and who is going to pay for the care. The UK has gone for one extreme with the rule changes about 10 years ago. Other countries are probably less extreme, but they are all restrictive in some way or other because of the question of who is going to pay the health and care costs.

Baroness Kennedy of The Shaws: Ten years ago, we made a decision that, if you have a granny or a grandpa who you want to come and live with you and who lived with you where you used to be, whether it is Italy or Nigeria, we will not let them in. Is that the situation?

Professor Alan Manning: Not exactly. There are some cases in which they can come in, but they are fairly restricted. For example, even if you can take out private health insurance for the granny or the grandpa, we do not allow you to bring in an adult dependent relative. Of course, if you allowed people to do it in those situations, that insurance would be very expensive and the system would be available only to the wealthiest in the UK, so it would be discriminatory in a different way.

The Chair: I hope that during the course of the inquiry we will get evidence about the impact of the adult dependent relatives rule. I think that we are down to nil and one relative coming in in the last couple of years. Clearly, there are some quite wide impacts. Helena, have we exhausted that as far as we reasonably can?

Baroness Kennedy of The Shaws: I have one final question. That is the position with the granny question. What about where you have seven children? Does that count?

Professor Alan Manning: You must have a higher income level to be allowed in on that basis. The extra amount of income that you need to have is not enough to pay for the education of those children, but you might say that the education of those children is an investment for the future, rather than a cost. If you regard education as a cost, the extra amount of income required to bring in a child is not sufficient to pay for that.

Baroness Kennedy of The Shaws: Do we decide not to let people in because they have seven children?

Professor Alan Manning: No. If you have seven children and enough income you can come in, but you would need a higher income than someone with no children or one child. I think that seven children is fairly out in the tail. Most of this is not people with families of seven children living overseas. I do not think that that particular case should necessarily drive thinking about the policy as a whole.

Baroness Kennedy of The Shaws: No, I do not want it to. I have just had the experience of it operating with regard to Afghanistan.

Q19 **Lord Hunt of Wirral:** I come back to the wider questions of the fiscal and economic impact of family migration specifically. Professor Moriconi, you have done some research on these wider aspects. My question is simply this. How does family migration to the UK affect economic growth, innovation and, above all, productivity?

Professor Simone Moriconi: There is a very big literature out there that analyses the effect of migration in general on growth, productivity and different channels that relate to economic growth, ultimately. An obvious channel is labour market productivity, in the sense that when we have migrants who are particularly skilled—highly skilled migrants who have very high qualifications that enable them to find a good job in the country of destination—that will contribute to growth in the UK.

Something I have been working on personally, which is related to what was mentioned before, is the intrinsic motivation that migrants have to supply labour: to work in the country of destination. It is part of a broader literature that looks at the aspirations and motivations of migrants to work in the destination. In a nutshell, if we want to summarise the message, migrants do not come to the country of destination to be a weight or a burden on the welfare state. They come to build a normal economic status, for their own economic prosperity and to contribute to the country of destination in economic terms.

I have been looking at migrants who come to the UK from important, central countries such as Poland and Romania. They are countries that, by their own culture, tradition and norms, are characterised by strong preferences for work, so migrants from those countries are highly productive and highly motivated to work. Again, it is a bit like comparing the short-term costs with the long-term prospects in terms of labour supply and the contribution that migrants can make to the country of destination.

Obviously, in the final decision about the extent to which we introduce an immigration policy that is or is not restrictive, we have to weigh these components, which are extremely important, even though they have to be evaluated in a slightly more complicated way by computing, in a sense, returns that are a bit more in the medium term as regards productivity and innovation. A huge strand of the literature has been working on the effect of migration on innovation and on how many migrants are inventors who contribute to the technological innovation of the country of destination and of the UK.

Lord Hunt of Wirral: That is really helpful, particularly on the work ethic and innovation. Professor Manning, is there anything that you would like to add?

Professor Alan Manning: When we talk about growth, we have to distinguish between GDP—total national output—and GDP per capita. When you add people and they produce stuff, GDP goes up. If we are interested in people's quality of life, it makes more sense to look at GDP per capita. In the UK, family migration has probably reduced net GDP per capita ever so slightly, because of the things we talked about earlier. Family migrants tend to have lower employment rates and slightly lower earnings when in employment.

That is partly driven not by the fact that they are family migrants but by who uses the family migration route. For example, Europeans are only just coming into the system now. Some 30% of family visas go to south Asia. Pakistan is the biggest single country, with a bit under 20%. We know that people with Pakistani ethnicity do not have very good economic outcomes in the UK. There is a whole variety of reasons why that might be the case. The family migrants reflect the economic outcomes for that community.

It is a mistake to argue for family migration on the grounds that it has great effects on productivity or innovation. It may do, as they are very heterogeneous, but if it does, it is by chance. If you wanted a migration policy to foster innovation and productivity, you would not choose a family migration route. The argument for family migration is based around rights—the rights to family life—not economic effects.

Lord Hunt of Wirral: Professor Dustmann?

The Chair: Before Christian comes in, I ask Baroness Shackleton, who has her hand up, to ask her question. Then we can take them together.

Baroness Shackleton of Belgravia: How reliable is the data on which you are relying as evidence? Is everybody who qualifies as a migrant tracked, traced and reported on? Might the evidence that you have be skewed by only some people completing the survey, if there is a survey? I would like to know the practical ways in which the conclusions are reached.

Professor Alan Manning: The statistics on the nationality of the family migrant route and all of that just come from administrative data on visas issued, so we think that that is pretty good data. The data on economic outcomes comes from this survey, in which people are asked what was the main reason that they came to the UK. That may or may not be linked to the particular visa with which they came.

What we would like to be able to do, and should be able to do, is to take people on a particular visa—not just a family visa—and then track them through the UK to see what actually happens. The fact that we do not do that, which means that we are unable to look backwards and evaluate any aspect of immigration policy, is just an

incredible weakness and drove people on the MAC totally crazy for ever. I think that they are making some progress, but not as fast as we would like.

Baroness Shackleton of Belgravia: Surely that must be the most valuable piece of the jigsaw to come to any conclusion.

Professor Alan Manning: I agree with you. For some reason slightly unknown to me, other people in government have not been terribly keen on it or have not seen it as a priority—perhaps I should put it in that way.

The Chair: Christian, do you want to add anything to all this?

Professor Christian Dustmann: Yes, very briefly. I will try to step back a little. Who are migrants? Migrants are usually young, they are usually male and they come for work purposes. The classical migration pattern is that a young male in his early 20s goes to a particular country, looks for a job, starts working and then makes up his mind about whether he wants to stay longer. If the person has family links, is married or has strong relations to his home country, he will want to bring his wife. If he cannot bring his wife, he may not want to stay on. Basically, the right to have a family is very much related to migration itself. Some of the more anecdotal things we have been discussing here, such as bringing grandparents and a large number of children, happen, but, as Alan said, they are basically at the tail of what we are seeing.

We need to discuss that in the context of what type of migration we want. Do we want to give young people who come to this country the possibility of having a family life and staying permanently, or do we want to implement mechanisms that do not allow for that? That will lead both to a different selection of migrants and to migrations that are overwhelmingly short term, even more so than we see at the moment.

Let me make two points. Of course, if the family cannot join, we may make migration very unattractive to people whom we would want to have in this country. That is important to consider. To bring the family is a kind of commitment to the host country, which has an impact on various behavioural margins. For instance, if I know that I am very likely to stay in the UK for the rest of my life, I will invest in UK-specific human capital. I will invest in the language. I will invest in social structures, et cetera.

To come back to the remittance question that Lord Dholakia asked a little earlier, I will also sever, potentially, my links to my home country, send less in remittances and spend the money in this country, which, of course, has a demand effect. All those things need to be considered when we look at that particular question.

Lord Hunt of Wirral: Thank you very much, Professor. I think that those two points are really important.

The Chair: Professor Moriconi?

Professor Simone Moriconi: I would also like to contribute. I totally agree with Professor Manning when he says that in most cases it is very difficult to argue that family migrants are the persons who are conducive to innovation and so on. However, the crucial point to me is exactly what Professor Dustmann was saying. We know that these persons want to be permanent migrants. These entities—families—want to settle permanently in the UK. Do we want to discourage inventors or very highly qualified individuals who may come with a spouse who, by assortative mating theory, we know may have a similar level of qualifications and skills but lower portability of skills into the destination country, the UK? Do we want to discourage this phenomenon?

In the end, it is a bit of a risk. If we keep families separated, these persons will go back to their home country. Are we ready to pay the cost of that? I take the point that it is difficult to quantify that cost, because it is a bit more in the long term, but we know that there is a cost. In terms of forgone productivity and forgone income gains, that cost may not be negligible. That is my point.

The Chair: All these things are interconnected.

Professor Alan Manning: I think we are at risk of mixing up two sorts of family migration. I have been talking mostly about what in the UK would be called the family visa. Sometimes, we have also been talking about joining or accompanying someone who is, for example, on a work visa or student visa. If you are allowed to bring partners and dependent children on a work or study visa, there is no income requirement for that, so the UK is liberal at that end of things. A slight anomaly has come in because for a skilled worker visa you must have a minimum salary threshold. That always used to be above the Minimum Income Requirement; in some cases it is now below it, so you can have more rights to bring a partner and dependent children if you are on a skilled worker visa than if you are a British-born citizen.

The Chair: Thank you for reminding us of that.

Q20 **Baroness Pidding:** Following Lord Hunt's question, I would like to ask our witnesses their thoughts on how family migration to the UK affects the labour market and wages. Can I first ask Professor Manning for his thoughts?

Professor Alan Manning: I think not very much. It is not that family migration is unimportant. If you look at the stock of migrants, about 45% give a family reason for coming, so it is more important than, for example, work migration. Studies of the impact of immigration on wages show that there has not been very much effect. Because the occupational mix of family migrants is not very different from the occupational structure of the labour force as a whole, that also means it is not altering by a huge amount the mix of skills in the economy.

Professor Christian Dustmann: I totally agree with that. We have updated our work on the impact of migration on wages along the native wage distribution very recently. The impact is very small. When we look at family migrants it is likely to be

even smaller, simply because they have a lower probability of employment. If you do not work or offer your labour to the labour market, you cannot be in competition with natives. I would think that the wage effects are probably very modest.

Baroness Pidding: Professor Moriconi, do you have any thoughts on this?

Professor Simone Moriconi: I do not have much to add. From the literature, the effect is very small. When we look at migration in general, there is always a labour segmentation effect, so less skilled migrants are never in direct or harmful competition with natives. In the case of family migrants, I think this channel is even weaker, as Professor Dustmann mentioned, because of lower employability.

In a sense, the bigger challenge, if we want to move forward, if we are all agreed that there is a good rationale for some spouses coming on family visas, is whether there is any scope for policies that may help the employability of these persons in the UK labour market. I think that would be an interesting question to ask.

Q21 Lord Ricketts: We are coming to the end of the session and have covered a great deal of ground already, so this is catching up with bits and pieces that have not been mentioned. In addition to Baroness Pidding's point about the impact on the labour market as such, how about individual UK Government policies on family migration and the perverse effects they may have on the capacity of employers to recruit?

We have been given the illustration of the MoD, which has struggled to recruit Commonwealth nationals as private soldiers, who sometimes have an income of less than £18,600 given they have other perks as well. There is also the point that Professor Moriconi just raised about those who decide to leave the UK because they cannot bring in a dependent spouse or partner and, therefore, the forgone income from that.

Are there any effects of UK policies on employers' ability to recruit the people they want to recruit? That would be a general way of putting the question. Perhaps Professor Dustmann can start. This is essentially a question about the UK labour market.

Professor Christian Dustmann: It is a very good question. Again, we do not have data and evidence to give a very concrete answer, but let me be a little more general. You always get the most efficient outcomes from an economic perspective if you let employers decide who and from where they want to hire, so any kind of restriction introduces inefficiencies. Of course, you may want to introduce them for many other reasons.

Answering your particular question, when we have minimum salary requirements, to some extent we exclude people in particular occupations, such as retail and service occupations, agriculture, et cetera. That is very much to the disadvantage of these industries. We have seen that in agriculture in recent months.

Coming back to your question of how that affects UK nationals, if you do not harvest strawberries, a British driver who brings them to the shop may not have anything to transport, or the accountant doing the bookwork on those harvests will not have

anything to do. Whenever we restrict the labour market and the possibility of hiring immigrants in particular occupations—for instance, agriculture—we need to look at upstream and downstream effects. The agricultural industry is not alone in a way. Not having any strawberries to harvest does not mean that only the farmer is affected; all those industries that feed into and off those industries are also affected. That is the way I would look at it if I had the opportunity to study it more intensively.

Lord Ricketts: I suppose that goes beyond family migration. Agricultural workers tend not to bring families with them, but some occupations might. Professor Manning, has any of your work looked at the issue of specific impacts on employers in individual parts of the family migration policy?

Professor Alan Manning: Not really. The main work visa would be the skilled worker visa. That comes with the right to bring partners and dependants with no restrictions; there are no restrictions on partners' rights to work and so on, but they have to pay the fees and immigration health surcharge. Obviously, the visa fees are priced quite a lot above cost. Those costs are typically borne by the migrant, not the employer, but it may make migrants less likely to apply for jobs if they have lots of dependants in respect of whom they have to pay visa fees.

The reality for, say, the NHS is that a large number of nurses overseas would be very happy to come and work in the NHS. Even though ones with lots of dependent children may find it less attractive, I am not sure that is affecting the NHS's ability to hire nurses very much. When migrants who are not very well paid have to pay these very high fees, it has real consequences for them.

It strikes me that the Ministry of Defence case is just a peculiarity. To me, those people in the Armed Forces are workers. If they are workers on a work visa, they should be treated like other workers on work visas and have the right to bring dependants and there is no minimum income requirement. It is obvious that their visa status is something different. I confess I am not sure exactly what it is, but it seems to me there is a very simple fix for that.

Lord Ricketts: Professor Moriconi, you may not want to add any more to this, but you did mention the issue of income forgone by those who choose to leave the UK because of problems with family migration.

Professor Simone Moriconi: I do not have much to add to this. That is basically what I mentioned before. I totally agree with what Professors Manning and Dustmann have already said.

The Chair: Can I ask Professor Alan Manning about the converse of the situation with the NHS? Have you come across instances of the NHS losing staff because of the adult dependent relative rules? I have, but it may be that it is just a small anecdote.

Professor Alan Manning: That is a very good question. I have read those stories. I know that, in particular, doctors of south Asian origin feel very strongly about this. They are very important to the NHS. I would want to look at the actual statistics on how big a problem this is, because in many things it is important to try to line up the human stories with the aggregate statistics and hope to have a consistent picture. We go back to the issue of data availability. I have not seen any analysis of how big a problem that is.

Baroness Kennedy of The Shaws: I am sorry to come back to this. Baroness Shackleton and I sat on a committee that was to do with leaving the European Union. We were told at that time that people who were given settled status would be allowed to have an elderly Italian grandma join them because a differential would be made for them. Is that not the case?

The Chair: Perhaps this is something we should explore separately.

Baroness Kennedy of The Shaws: Does anyone know the answer?

The Chair: Let us come back to that separately.

Professor Alan Manning: I do not know the answer. It is a great question. I think not; I think they would be subject to the same rules as others, but again it is often in the nitty-gritty of the Immigration Rules. I do not know the exact answer.

Lord Blunkett: I have found this a fascinating hour and a quarter. I would like to raise very quickly a few points.

First, it has been made very clear this morning that we are not talking about a homogeneous group; we are talking about people from very different backgrounds and cultures. I am wondering whether we should address much more the issue of language. Can we be honest about this? When the sponsor has a job and has learned English, quite often the cultural implication is that those family members who come in are not encouraged to learn English and go into the labour market. Chair, if you will forgive me, that is a cultural barrier we should at least make a note of, because I have seen it as a Member of Parliament and as Home Secretary.

Secondly, because we do not deliver English language in the way we should—I tried but failed to get this off the ground—we do not facilitate the balancing that would account for the net loss in terms of those who come on family reunion visas.

Thirdly, contradictions abound here because we had a system whereby from 2004 people from the European Union could work here legally. We had family reunion because they had free movement. It did not stop people coming and going back. I just pick up the point made earlier.

The Chair: Do any of our witnesses want to comment from their expertise on those points?

Professor Christian Dustmann: I could not agree more with the point Lord Blunkett makes about language. Language is the single most important component of human capital. Not only does it allow individuals to collect information about the labour market but it makes it possible to transfer particular skills to the UK labour market. A surgeon who does not speak English cannot work as a surgeon, so language is very important to unleash the full potential.

When we talk about family migration, where the first purpose is not necessarily the labour market but to join the family, the development of the language skills of those who come to us is very important. The impact on productivity cannot be overestimated, and many studies show that, not just for the UK but many other countries.

Q22 Baroness Hallett: Is there a balance to be struck between the economic and fiscal considerations that we have been discussing and the best interests of the child and the well-being of the family? Professor Moriconi, you mentioned well-being some questions ago. Do you want to go first?

Professor Simone Moriconi: In my view, the existence of such a conflict between economic and fiscal considerations on the one hand and the best interests and well-being of children of family migrants on the other—I do not want to repeat myself—should not be overemphasised. Clearly, a conflict arises in the very short run when you receive a family migrant, probably with dependent children and perhaps with a grandmother—we know this is not possible in the current system. Then you realise there is an immediate need for family assistance, and in a sense some conflict arises between the well-being of the family and, if you want, fiscal considerations for the public sector.

At the same time, once we take a broader and more medium-term perspective, this conflict tends to vanish because we start to see the investment of having children who are educated in the British education system who contribute to the UK fiscal sector and the economy as a whole.

In a sense, the necessity to make this balance is in the short term. We should reconsider it when we have a broader perspective, because in a sense the well-being of the family and the economic and fiscal considerations tend to go hand in hand once we move to a longer-term perspective, when the investment done at the very beginning starts to flourish.

Baroness Hallett: Professor Manning, do you want to have a go at it? According to Professor Moriconi, there is a balance to be struck if we estimate more properly the value of family immigration.

Professor Alan Manning: My view is that, even if there is a public economic and fiscal interest in regulating the transnational families that are allowed to form, devising practical rules that are well targeted on those outcomes is very difficult, perhaps even impossible. I fear that we end up with a situation that ensnares some people in the rules while at the same time not being very well targeted on what we

are trying to achieve. Quite a lot of people find a way to meet the rules if they are single. Most family migration does not involve existing children; there may be children in the future. Six months' full-time work on the minimum wage means you meet the Minimum Income Requirement, even if you are not going to work in the future.

I would have a very close look at getting rid of these income requirements. I would want to look at the data before I made that decision, but that is not because I think the economic impacts of family migration are particularly positive on the rest of society. I just think that the right to family life is important, and it is very difficult to devise a practical set of rules targeted at what you want to achieve.

Baroness Hallett: I wanted you to give me an advert on what is happening in the world. Thank you very much, Professor Manning; that is very interesting. Professor Dustmann, you are the last one to answer.

Professor Christian Dustmann: I agree with Alan. May I add just one particular point? Whenever we think about economic and fiscal considerations—and I repeat myself—we need to be very precise about what we really have in mind. Of course, children and families cost money. Children start to be net contributors from a certain age onwards. Until that particular age they have educational costs, et cetera. Whenever we consider fiscal issues when it comes to the children of immigrants, we need to take a long-term perspective and consider the time when they will contribute. However, that is not often done. The argument, “We don’t want children because they cost a lot of money because we have to educate them”, et cetera, is not a very good one.

The only point I want to make here, if we address the particular question you ask, which is very important, is that we need to do that from a long-term perspective to balance the benefits with the immediate costs that may accrue.

Baroness Hallett: That goes back to the point that all of you have made about looking at the long-term impacts of migration and family reunion.

The Chair: We have kept our witnesses longer than we said we would, but can I ask your indulgence for another minute or two? Baroness Primarolo has her hand up. I will then ask all the witnesses whether there is anything they want to add.

Baroness Primarolo: I want to come back quickly to the question of the best interests of the child, the right to family life and the way the Immigration Rules work as regards the requirements not to be dependent on the public purse and minimum income guarantees. I want to ask our witnesses whether there is a vicious circle here that traps families in a particular sector of the labour market. By that, I mean that the parent or parents is or are driven into precarious work, having a series of jobs in order to generate income. Clearly, that could have an impact on the quality of family life and the support they are able to give their children. That has an impact perhaps on future social mobility for the children, but it traps the parent or parents who are unable to progress through the labour market.

I am trying to unpick whether, in the end, the Immigration Rules undermine themselves by cutting off that future contribution either from parents or children as they develop because they are trapped in that precarious employment.

Professor Alan Manning: The vast majority of these family visas are not for families where there is a pre-existing child. Obviously, there will be some, but there are about 40,000 partner visas and 8,000 child visas a year. On the notion of being trapped, you only have to meet the Minimum Income Requirement for six months prior to getting the visa, and then after two and a half years when you want to extend it. After those months you are not trapped at all. Whether one sees that as a plus or minus depends on your perspective on these things. I am not sure that would loom particularly large as a consideration.

It would be interesting to look at the basis on which people are making claims and meeting the Minimum Income Requirement, because there is also the savings option. Why the number of family visas being issued did not fall, even though on paper a large number of the prior applications were failing the Minimum Income Requirement, is a big puzzle. As to what is happening behind that and whether it is, as you suggest, people being trapped in precarious work, or using the savings route, I do not know. It would be very interesting to know that.

The Chair: Or because they cannot meet the minimum income requirement, they are not able to have a spouse enter the country and, therefore, are stuck with childcare arrangements and so on, which would be far less if there were two parents here, or a parent and step-parent. I think I am exceeding my brief by starting down that route.

Is there anything any of you would like to add? It has been a very interesting session, and we are really grateful to you.

Professor Christian Dustmann: This was a very interesting session. Let me come back to the point Alan made at the very start. Many of the issues that arose here, particularly with respect to family migration and how we can link that to analyses of more long-term aspects, are very difficult for us to answer because we do not have the data or we do not have the possibility of connecting different datasets. I can only reiterate the point that the better the data we as academics have available the better the analysis we can make, and the more concisely we can address any kinds of questions that you or other committees may have in the future.

Professor Simone Moriconi: It was an extremely interesting session, and it was great to participate and share ideas with you. It is a fascinating topic because, as Professor Dustmann and Professor Manning mentioned, there is not much data on which we can base our evaluation and judgment. At the same time, it is an extremely important topic, because nowadays the decision to form a family is strictly interlinked to the decision to migrate in one way or the other. It is extremely important to know and learn more about how these two decisions tend to interact with each other, and having more data is definitely the next step in getting more information on this.

The Chair: It is rare to start a committee meeting and have a recommendation agreed within the first two minutes. Professor Manning?

Professor Alan Manning: It has been very interesting. I think I have said more than enough.

The Chair: Not at all. Thank you all very much indeed. That concludes our evidence session. We reserve the right, if we may, to come back to each of you for more information if we need more help. We are just starting this piece of work. I conclude the evidence session.