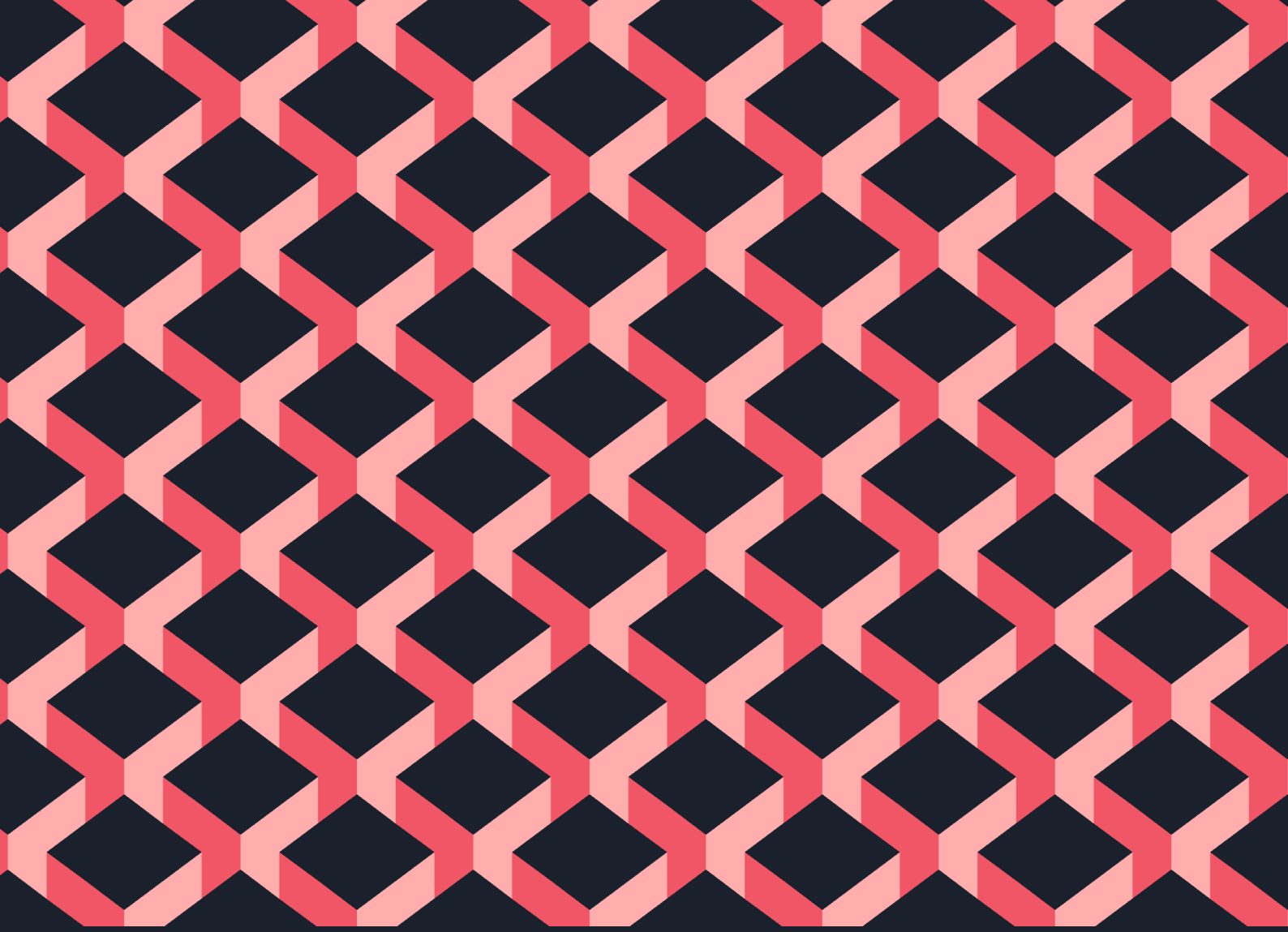

Immigration to the UK: Escaping the doom loop

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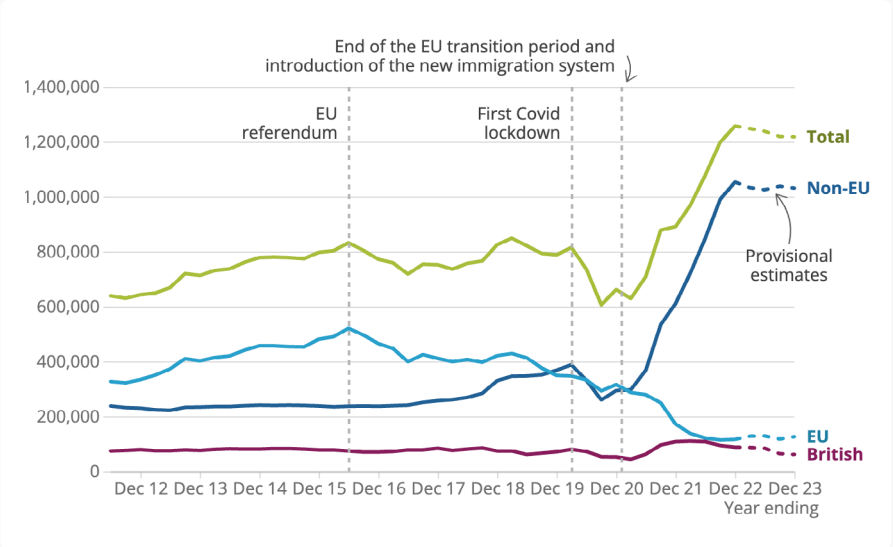
Contents

1. Introduction

The UK exhibits unusually high and persistent levels of concern about immigration. Survey evidence consistently shows that around 40–50 per cent of voters rank immigration among the most important issues facing the country[1], with a majority expressing a preference for lower levels.[2] This salience has had clear political consequences. The electoral rise of Reform UK has been closely associated with its focus on immigration, while successive governments—across parties—have responded with increasingly restrictive policies.

At the same time, recent trends undermine the narrative of a system "out of control". Net migration rose sharply in the early 2020s—peaking at historically high levels—but has since declined rapidly and is projected to fall further. Administrative data on visa issuance suggests a particularly sharp contraction in key routes, including skilled workers and students.

Chart 1: Number of non-EU, EU, and British nationals immigrating long-term to the UK, between the YE June 2012 and the YE December 2023



Source: International Passenger Survey from the Office for National Statistics, Home Office Borders and Immigration data from the Home Office, Registration and Population Interactions Database from the Department for Work and Pensions

1 Gallup Inc. U.K. Leads World in Concern About Migration, February 2026.

2 Steve Ballinger. New poll finds public support for migration to work or study. Technical report, May 2025.

Furthermore, the prominence of immigration in political discourse sits uneasily with both lived experience and economic evidence from the effects of the existing migrant stock. Survey data suggests that only a minority of voters report direct negative impacts of migration on their local communities. At the aggregate level, there is little evidence that immigration has reduced employment or wages for UK-born workers; most empirical studies find small or neutral effects, with some evidence of complementarities in the labour market.

Policy is therefore being driven by a perception of crisis that is, at best, only loosely connected to current trends.

The central political economy puzzle is straightforward. The UK faces persistent structural challenges: weak productivity growth, low business investment, fiscal pressure, and mounting strain on public services. These predate recent migration trends and cannot plausibly be attributed primarily to immigration. Yet immigration is persistently framed as a principal cause of these structural challenges, and policy has tightened accordingly. But since these structural factors were not caused by immigration, so too restricting immigration cannot solve them.

This is not primarily a failure of economic analysis. It is a failure of political economy. Immigration has become a visible and tractable policy lever, standing in for more complex and politically difficult reforms. Reducing migration is administratively feasible, politically salient, and often perceived as fiscally costless; addressing housing supply, productivity, or social care funding is none of these things. But the economic costs of using migration policy as a substitute for structural reform are increasingly material.

The argument of this paper is that the UK is making a systematic error by treating immigration primarily as a political liability rather than as an economic input. Attempts to reduce migration in response to political pressure are likely to weaken growth, worsen fiscal sustainability, and intensify pressure on public services—while doing little to resolve the underlying drivers of public concern.

2. Macro perspective

2.1 Immigration as labour supply in an ageing economy

The UK's demographic trajectory is a central constraint on its economic and fiscal outlook. The population is ageing rapidly: the share of those aged 65 and over is increasing,[3] while birth rates remain persistently below replacement level (around 1.4 children per woman in recent years).[4] As a result, the old-age dependency ratio is projected to rise significantly over coming decades.[5]

This shift has direct fiscal implications. The post-war welfare state was constructed in a context where roughly five workers supported each pensioner. That ratio is now closer to three to one and is projected to fall further towards two to one.[6] Absent offsetting changes—higher taxes, lower benefits, or increased labour force participation—this implies sustained pressure on public finances.

In this context, migration represents the most immediate and flexible margin of labour supply. Migrants are disproportionately of working age[7] and have relatively high employment rates, particularly in work-related visa categories.[8] Unlike domestic population growth, migration increases the workforce without incurring the upfront fiscal costs of education and upbringing.

This does not eliminate the need for broader adjustment. But it does imply that reducing migration in an ageing economy tightens an already binding constraint. In effect, policy is acting to reduce labour supply at precisely the point where demographic trends are already doing so.

3 Cassie Barton, Georgina Sturge, and Rachael Harker. The UK's changing population. July 2024.

4 Office for National Statistics. Births in England and Wales. 2024.

5 UK Parliament. UK strikingly unprepared for an ageing society, facing increasing costs and shrinking tax base, 2025.

6 Emily Evans. The UK and other ageing populations will have to increase their state pension age to 71 by 2050 to maintain the number of workers per retiree, February 2024.

7 Mihnea Cuibus. Migrants in the UK: An Overview. Technical report, 2024.

8 Mariña Fernández-Reino and Ben Brindle. Migrants in the UK labour market: an overview. Technical report, 2025.

2.2 Immigration, GDP and fiscal arithmetic

The economic effects of migration are often framed in terms of GDP versus GDP per capita. This distinction is analytically valid but frequently misinterpreted in policy debates.

At the aggregate level, higher migration increases GDP through a straightforward labour supply effect. Office for Budget Responsibility (OBR) modelling suggests that sustained differences in net migration of several hundred thousand per year translate into changes in the level of GDP of around 1–2 per cent over the medium term.[9] Lower migration therefore implies a smaller economy in absolute terms.

Effects on GDP per capita are smaller. If migrants have similar productivity to existing residents, average output per person changes little.[10] This observation is often used to argue that migration has limited impact on living standards.

However, this interpretation overlooks the fiscal dimension. What matters for fiscal sustainability—and therefore for the sustainability of public services—is not GDP per capita in isolation, but the relationship between total revenues and expenditures. Some components of public spending—notably debt interest and elements of defence and administration—do not scale proportionately with population. A larger working population therefore spreads these costs more thinly.

This effect is reinforced by the demographic profile of migrants. Because migrants are more likely to be of working age and in employment, they contribute disproportionately to tax revenues relative to their use of age-related spending such as pensions and healthcare. The implication is that aggregate GDP effects are not merely about the overall size of the economy. They translate directly into fiscal capacity and, by extension, into the resources available for public services.

9 OBR. Net migration forecast and its impact on the economy, 2024.
10 ibid.

2.3 Immigration and productivity

A substantial body of empirical evidence suggests that migration supports productivity through complementarities in the labour market. Migrants and native workers tend to specialise in different tasks, allowing more efficient allocation of labour and raising overall output.

Cross-country evidence indicates that increases in the migrant share of the population are associated with higher productivity and, over time, modest increases in GDP per capita.[11] UK-specific studies reach similar conclusions, finding positive effects on both total factor productivity and labour productivity.[12] [13]

These effects operate through several channels. Occupational specialisation allows native workers to move into roles requiring higher levels of communication or institutional knowledge.[14] Migration also improves matching in the labour market and facilitates knowledge transfer across firms and sectors.[15]

The magnitude of these effects is subject to uncertainty and varies across contexts. However, the balance of evidence suggests that migration is, at worst, neutral for productivity and more likely modestly positive. In a context of persistent UK productivity stagnation, this margin is economically relevant.

2.4 Volatility as a macroeconomic problem

The defining feature of the post-Brexit migration regime has not been its level but its volatility. As shown above, net migration increased from roughly 200,000 in the late 2010s to close to one million in the early 2020s, before declining sharply again to below the pre-pandemic level.

11 Ksenia Koloskova, Sweta Chaman Saxena, and Florence Jaumotte. Impact of Migration on Income Levels in Advanced Economies.

12 Francesco Campo, Giuseppe Forte, and Jonathan Portes. The Impact of Migration on Productivity and Native-Born Workers' Training. SSRN Electronic Journal, 2018.

13 Hoseung Nam and Jonathan Portes. Migration and Productivity in the UK: An Analysis of Employee Payroll Data. SSRN Electronic Journal, 2023.

14 Giovanni Peri and Chad Sparber. Task Specialization, Immigration, and Wages. American Economic Journal: Applied Economics, 1(3):135–169, July 2009.

15 Gianmarco I. P. Ottaviano, Giovanni Peri, and Greg C. Wright. Immigration, trade and productivity in services: Evidence from U.K. firms. Journal of International Economics, 112:88–108, May 2018.

These swings are unusually large by historical standards and reflect policy design interacting with external shocks. Migration responds to labour demand, relative wages and policy rules, but with significant lags. Decisions taken in 2019–21—on salary thresholds, eligibility rules and student pathways—only became visible in official data several years later. More recent tightening is now feeding through in the opposite direction.

This volatility has three macroeconomic consequences.

First, it complicates fiscal planning. Migration assumptions feed directly into projections of tax revenues and spending. Large swings within short time horizons materially affect forecasts and, therefore, fiscal policy decisions.

Second, it interacts with the business cycle in a largely unplanned way. The post-pandemic surge in migration expanded labour supply during a period of tight labour markets, likely easing inflationary pressure. The subsequent decline coincides with weaker demand. While not inherently destabilising, this pattern is largely accidental rather than the result of deliberate policy.

Third, policy instability increases uncertainty for firms, universities and individuals. Frequent changes to rules—on salary thresholds, dependants and settlement—raise transaction costs and discourage long-term planning. In this respect, migration policy has come to resemble poorly timed macroeconomic stabilisation: reactive, lagged and prone to overshooting.

The economic issue is therefore not simply the level of migration, but whether the UK can operate a system that is stable and predictable enough to support long-term growth and fiscal sustainability.

3. The economic contribution of immigration

3.1 Fiscal contributions

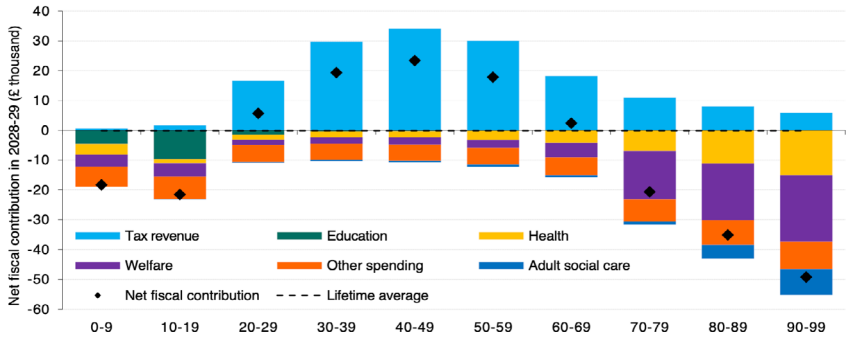
The fiscal impact of migration depends on demographic composition, labour market participation and institutional design. In the UK context, the balance of

evidence suggests that migrants—particularly recent cohorts—make a positive net contribution to the public finances over relevant policy horizons.[16]

The key mechanism is compositional. Migrants are disproportionately of working age, with median ages significantly below that of the UK-born population (mid-20s versus around 40).[17] They also exhibit relatively high employment rates, particularly in work-related visa categories.[18] As a result, they contribute to tax revenues at a point in the lifecycle when fiscal contributions are typically positive.

This pattern is well established in lifecycle analyses of fiscal impacts. Individuals tend to be net fiscal recipients in childhood and old age, and net contributors during their working years.[19] Migration effectively "imports" individuals at or near the peak of their fiscal contribution profile.

Chart 2: Primary receipts and spending by age



Note: These profiles are constructed on the basis that aggregate primary spending and receipts are broadly in balance, as is the case on average over the medium term in our March 2024 *EFO*. Therefore they do not capture the fiscal impact of major economic shocks on public spending and receipts. The impact of such shocks on long-run fiscal sustainability is explored in the debt shock scenarios presented later in this chapter.

Source: OBR

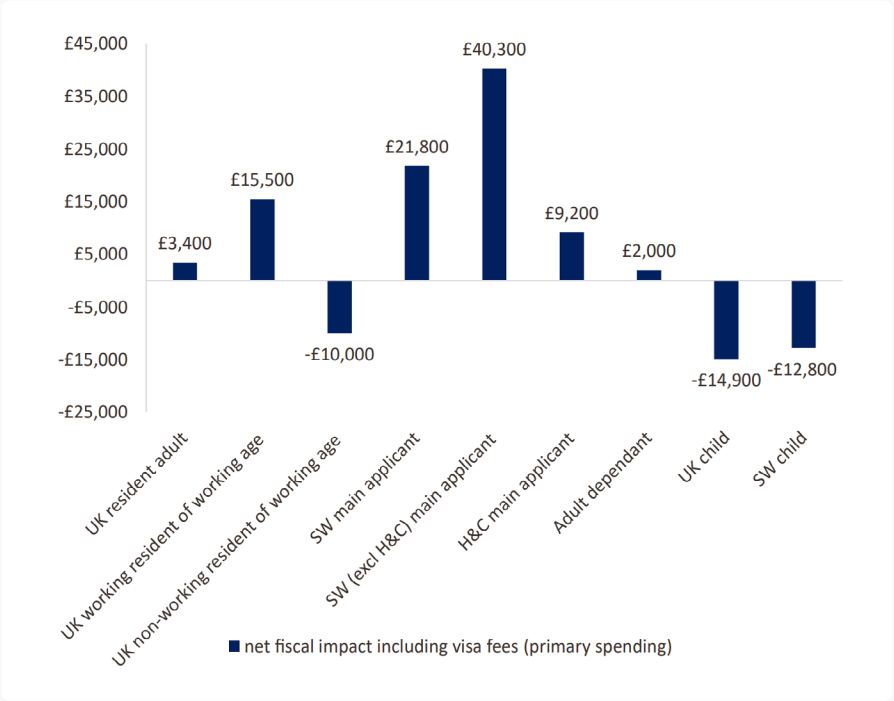
16 Carlos Vargas-Silva, Madeleine Sumption, and Ben Brindle. The Fiscal Impact of Immigration in the UK. Technical report, 2024.

17 Mihnea Cuibus. Migrants in the UK: An Overview. Technical report, 2024.

18 Mariña Fernández-Reino and Ben Brindle. Migrants in the UK labour market: an overview. Technical report, 2025.

19 Ronald Lee, Sang-Hyop Lee, and Andrew Mason. Charting the Economic Life Cycle. Population and development review, 34(Suppl 1):208–237, 2014.

Chart 3: Net Static Fiscal Estimates, 2022/23



Source: Migration Advisory Committee

Table 1: Lifetime Cohort Totals (in £m)

	Tax Revenue	Visa Fees	Expenditure	Net
SW (excl. H&C) Main Applicant	72,100	600	25,100	47,700
SW (excl. H&C) Adult Dep	10,400	100	10,400	100
SW (excl. H&C) Child Dep	0	100	900	-800
H&C Main Applicant	43,300	500	38,300	5,500
H&C Adult Dep	14,400	30	17,700	-3,300
H&C Child Dep	0	40	2,100	-2,000
Total	**140,300**	**1,300**	**94,500**	**47,100**

Source: Migration Advisory Committee

This effect is reinforced by policy design. Many visa routes require employment (e.g. Skilled Worker), which mechanically raises labour market participation. Access to most benefits is restricted, reducing fiscal outflows in early years. In addition, migrants pay significant upfront and ongoing fees (visa

fees, Immigration Health Surcharge), which exceed administrative costs and contribute directly to revenues.

Estimates from the Office for Budget Responsibility (OBR) and the Migration Advisory Committee (MAC) suggest that the average recent migrant makes a positive net fiscal contribution over the medium term. The magnitude varies by skill level, employment outcomes and family composition, but the direction is robust.

Two caveats are relevant. First, fiscal impacts depend on assumptions about public spending allocation (e.g. whether to include fixed costs such as defence). Second, long-run impacts depend on integration outcomes, including those of migrants' children. In the UK, the children of recent migrants appear to have educational outcomes that are at least equal, and for some groups rather better, than the children of the UK-born, in contrast to most other OECD countries. However, these considerations affect magnitude rather than direction in most UK-relevant scenarios.

The policy implication is straightforward. Reducing migration reduces the tax base disproportionately relative to spending obligations, particularly in an ageing society. This effect is modest in any single year, but compounds materially over time.

3.2 The paradox of selectivity

A recurring feature of UK immigration policy is what might be termed a "double paradox of selectivity." First, although policy debates often emphasize tighter selection—especially toward higher-skilled migrants—the routes that are most politically salient are not necessarily the ones most responsive to restriction. In practice, it is often administratively and legally easier to reduce economic migration channels (such as skilled worker visas, international students, or sector-specific schemes) than to constrain family reunification or asylum flows, which are more tightly bound by legal obligations and international commitments. This can produce an outcome in which policies aimed at

increasing "selectivity" primarily reduce discretionary, economically oriented migration, rather than the categories policymakers may implicitly target.[20]

Second, even within economic migration routes, increasing formal selectivity—for example through higher salary thresholds or tighter skill requirements—does not necessarily raise the average "quality" of migrants. Highly skilled workers typically have a wider set of international opportunities and are therefore more responsive to changes in policy conditions. As thresholds rise, these workers may substitute toward alternative destinations, implying a higher elasticity of supply at the top end of the skill distribution.[21] At the same time, employers may adjust recruitment strategies toward candidates who meet formal criteria but differ along unobserved dimensions of productivity or long-term potential. This highlights the limits of observable proxies such as salary or qualifications as measures of worker "quality," and suggests that tighter selection can, in some cases, reduce the average unobserved quality of incoming workers.

Taken together, these dynamics complicate the standard narrative that more restrictive or selective policies straightforwardly improve migration outcomes. Instead, they point to trade-offs between political feasibility, legal constraints, and labor market responses, with the potential for unintended consequences in both the volume and composition of migration.

3.3 Dynamic and multiplier effects

The economic contribution of migration extends beyond direct fiscal effects and labour supply.

At the local level, migrants support demand in goods and services markets. Their consumption sustains activity in housing, retail and services, particularly in areas where underlying demand growth is weak.[22] These effects are diffuse but economically meaningful. They support firm viability, maintain employment and contribute to local tax bases.

20 Migration Advisory Committee. Analysis of the impacts of migration, 2012.

21 Jeffrey Grogger and Gordon H. Hanson. Income maximization and the selection and sorting of international migrants. Journal of Development Economics, 95(1):42–57, May 2011.

22 The Economic and Fiscal Consequences of Immigration. Technical report, National Academies, 2017.

Migration also reinforces complementarities in the labour market. Empirical evidence suggests that migrants and native workers tend to specialise in different tasks, enabling more efficient allocation of labour.[23] This mechanism underpins the positive productivity effects discussed in Section 2.

Finally, migration has macroeconomic demand effects. By increasing population, it increases aggregate demand even when per capita income is unchanged. In a low-growth environment—characterised by weak investment and consumption—this can play a stabilising role. Conversely, reductions in migration can have contractionary effects that are not immediately visible in per capita metrics.

The key point is that migration affects both the supply and demand sides of the economy. Its impact is therefore broader than the simple arithmetic of population change.

4. Labour shortages and sectoral effects

4.1 Structural shortages, not cyclical ones

A central analytical distinction in labour economics is between cyclical tightness and structural shortages. The former arises from temporary demand fluctuations; the latter reflects deeper constraints such as demographics, funding models and working conditions. Much of the current UK debate implicitly assumes that labour shortages are cyclical and will be resolved through wage adjustment. In several key sectors, this assumption is incorrect.

Structural shortages arise where demand is persistently high and wages or conditions cannot adjust sufficiently to clear the market. This is particularly evident in publicly funded sectors, where pay is constrained by fiscal policy, and in low-margin private sectors, where price sensitivity limits wage increases. In such contexts, reducing migration does not generate a

23 Giovanni Peri and Chad Sparber. Task Specialization, Immigration, and Wages. American Economic Journal: Applied Economics, 1(3):135–169, July 2009.

commensurate domestic labour supply response. Instead, adjustment occurs through reduced provision, unmet demand or substitution into lower-quality services.

Immigration therefore functions as a complement to domestic labour supply, not a substitute. Training and workforce development remain essential, but in the absence of changes to funding and working conditions, migration plays a critical role in maintaining capacity.

4.2 Key sectors at risk

4.2.1 Health and social care

Health and social care represent the clearest example of structural labour shortage. Demand is rising rapidly due to demographic change. Health expenditure has grown faster than GDP over the past two decades (approximately 3% per year compared to less than 1% for the wider economy).[24] As a result, the sector is absorbing an increasing share of public resources.[25] However, domestic labour supply has not kept pace. Pay is relatively low compared to international benchmarks, working conditions are demanding, and retention rates are weak. Vacancy rates in both the NHS and social care remain persistently high.[26]

Migration has played a central role in filling these gaps. The expansion of the Health and Care visa route led to a substantial increase in migrant workers in these sectors in the early 2020s. However, recent policy changes—particularly restrictions on dependants and tighter eligibility criteria—have sharply reduced inflows. Given the structural nature of shortages, this is unlikely to be offset by domestic recruitment.

The economic consequences are indirect as well as direct. Reduced availability of care increases pressure on hospitals (e.g. delayed discharges),[27] raises

24 Anita Charlesworth, Zoe Firth, Ben Gershlick, Paul Johnson, Elaine Kelly, Tom Lee, Adam Roberts, George Stoye, Toby Watt, and Ben Zaranko. Securing the future: funding health and social care to the 2030s. May 2018.

25 Office for National Statistics. Healthcare expenditure, UK Health Accounts, 2023–2024.

26 David Foster. Adult social care workforce in England. April 2026.

27 David Foster. Delayed hospital discharges and adult social care. February 2023.

costs[28] and reduces labour supply elsewhere in the economy as individuals provide informal care.[29]

4.2.2 Hospitality and local services

Hospitality and related local services illustrate a different adjustment mechanism. Prior to Brexit, these sectors relied heavily on EU workers. The end of free movement reduced this inflow sharply.[30] Adjustment has occurred along several margins: substitution towards non-EU workers (including students), modest wage increases, and reductions in capacity (shorter opening hours, simplified services, firm exit). There is limited evidence of large-scale productivity-enhancing restructuring. Where margins are thin and demand is price-sensitive, labour shortages tend to reduce output rather than increase productivity. This results in lower service availability and local economic contraction, particularly in tourism-dependent regions.

4.2.3 Students and skills

International students represent a distinct but economically significant category of migration. They contribute directly through tuition fees and consumption. Estimates suggest that each international student contributes on the order of £90,000–£100,000 to the UK economy over the course of their studies, with total annual contributions in the range of £30–£40 billion.[31]

These revenues cross-subsidise domestic students and support research activity, particularly in leading universities. As such, international students are a key component of the UK's export sector. Recent policy changes—especially restrictions on dependants—have reduced the attractiveness of the UK relative to competitor countries. This is reflected in declining visa applications in recent data.

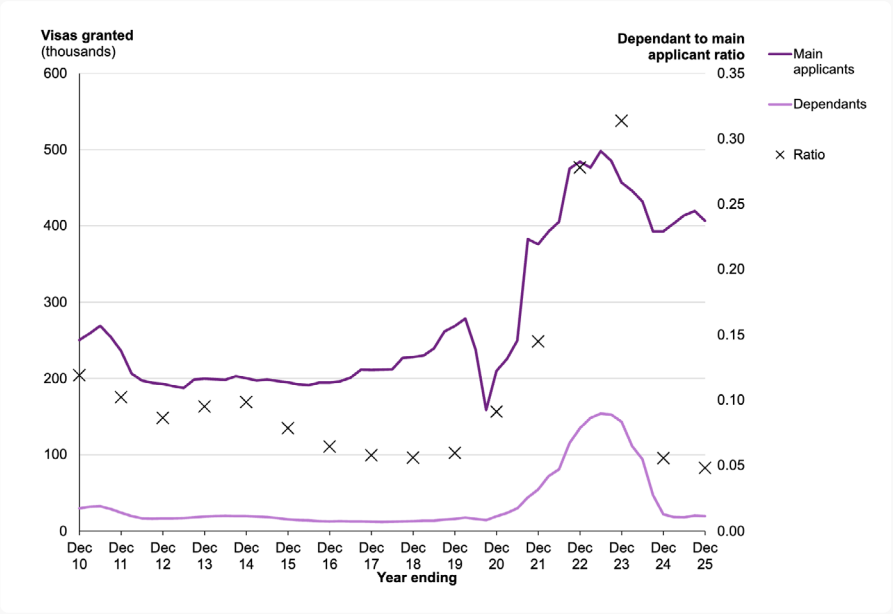
28 Tim Horton and Suzanne Wood. Improving hospital discharge in England: the case for continued focus and support, 2022.

29 Nicola Brimblecombe, Jose-Luis Fernandez, Martin Knapp, Amritpal Rehill, and Raphael Wittenberg. Unpaid Care in England: Future Patterns and Potential Support Strategies. 2018.

30 Jonathan Portes and John Springford. The impact of the post-Brexit migration system on the UK labour market. Contemporary Social Science, 18(2):132–149, 2023.

31 James Cannings, Maike Halterbeck, and Gavan Conlon. The benefits and costs of international higher education students to the UK economy: Analysis for the 2021–22 cohort. Technical report, 2023.

Chart 4: Sponsored study visas granted by applicant type, YE Dec 2010 to YE Dec 2025



Source: Migration Advisory Committee

The economic implications are both immediate and long-term. In the short term, reduced inflows weaken university finances and local economies. In the longer term, they reduce the pipeline of skilled workers and potential innovators.[32] In a context of demographic ageing and weak productivity growth, this represents a tightening of an already constrained supply of human capital.

5. Legal vs irregular immigration: scale, misperception and policy

5.1 Orders of magnitude

A persistent feature of the UK immigration debate is the disproportionate focus on irregular migration relative to its scale. The overwhelming majority of migration to the UK occurs through legal channels—principally work, study

32 Jennifer Hunt and Marjolaine Gauthier-Loiselle. How Much Does Immigration Boost Innovation? American Economic Journal: Macroeconomics, 2(2):31–56, April 2010.

and family routes. Even during periods of elevated humanitarian inflows (e.g. Ukraine schemes), these have remained a small minority of total arrivals. Irregular migration constitutes a smaller subset still.

Recent data illustrate the point clearly. In the year ending 2025, detected irregular arrivals were on the order of 50,000 individuals, the majority via small boats.[33] In the same period, total long-term immigration flows were several multiples of this figure. Even at its peak, irregular migration accounted for well under 10 per cent of total inflows.

Moreover, most individuals who enter irregularly subsequently claim asylum, and a majority of those claims are eventually granted. In other words, a large share of those initially classified as "irregular" eventually become regularised and participate in the labour market.

The policy implication is that the dominant focus of political and media attention is directed at a relatively small component of overall migration. This misalignment between perception and scale shapes both public understanding and policy priorities.

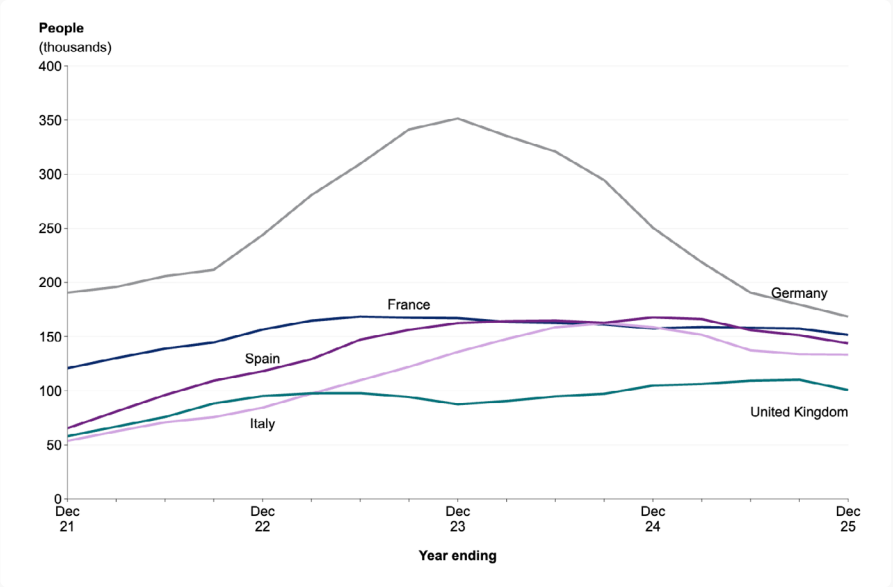
5.2 International comparison

The UK's position is also less exceptional than often implied in domestic discourse. Globally, the vast majority of refugees are hosted by low- and middle-income countries, typically in regions adjacent to conflict.[34] Countries such as Turkey, Uganda and Jordan host refugee populations that are orders of magnitude larger than those in the UK.[35]

Within Europe, the UK does not stand out as a major destination for asylum seekers, either in absolute terms or relative to population. Countries including Germany, France, Spain and Italy receive larger numbers of applications, while several smaller European countries receive more on a per capita basis.[36]

33 Home Office. How many people come to the UK via illegal entry routes?, 2026.
34 USA for UNHCR. Five Takeaways from the 2024 UNHCR Global Trends Report, 2025.
35 USA for UNHCR. Refugee Statistics, 2025.
36 Eurostat. Asylum applications – annual statistics, 2025.

Figure 5: The number of people claiming asylum in the UK and the top 4 countries in the EU+, YE December 2021 to YE December 2025



Source: Eurostat Asylum statistics and Asylum claims and initial decisions – Asy_D01

This does not imply that asylum policy is straightforward or costless. But it does suggest that the UK's experience is broadly comparable to that of its peers, rather than exceptional.

5.3 Asylum economics

The economic characteristics of asylum flows differ from other migration routes, primarily because of institutional constraints. A key feature of the UK system is the delay between arrival and labour market participation. Asylum seekers are generally prohibited from working while their claims are processed, often for extended periods. Median processing times exceed one year, and in many cases substantially longer.

This generates two types of cost. First, there are direct fiscal costs. The government provides accommodation and subsistence support during the waiting period. Current spending on asylum accommodation is estimated at

around £2 billion per year,[37] with per-person costs on the order of £40,000–£50,000 before an initial decision is reached.[38]

Second, there are dynamic costs. Prolonged periods outside the labour market reduce future employability and slow integration.[39] Human capital depreciates, and individuals are less likely to transition quickly into productive employment once status is granted. These costs are largely policy-induced rather than inherent to asylum migration.

5.4 Allowing asylum seekers to work

International evidence suggests that earlier labour market access would reduce both fiscal costs and long-term integration challenges.

Many European countries allow asylum seekers to work after relatively short waiting periods, and some effectively allow access upon arrival.[40] Comparative studies find little evidence that labour market access acts as a significant "pull factor" influencing destination choice. Instead, destination decisions are driven primarily by existing networks, language and historical ties.[41]

Allowing earlier access to work would therefore:

- reduce fiscal costs by lowering reliance on state support;
- improve long-term employment outcomes;
- accelerate integration and social participation.

The current UK approach—characterised by relatively long work restrictions—therefore represents a clear case where policy imposes economic costs without delivering corresponding benefits. More broadly, it illustrates our

37 UK Parliament. National Audit Office report reveals asylum accommodation cost, 2025.

38 Lucy Mort and Marley Morris. Transforming asylum accommodation. Technical report, 2024.

39 Christian Dustmann, Francesco Fasani, Tommaso Frattini, Luigi Minale, and Uta Schönberg. On the economics and politics of refugee migration. Economic Policy, 32(91):497–550, July 2017.

40 Lee Crawfurd. Letting Asylum Seekers Work Is Not a "Pull Factor", 2025.

41 Valentina Di Iasio and Jackline Wahba. The Determinants of Refugees' Destinations: Where do refugees locate within the EU? World Development, 177:106533, May 2024.

central theme: policy is often shaped by perceived political incentives rather than economic logic.

6. What happens when immigration falls

6.1 Why immigration is now falling

Recent declines in UK migration reflect both structural and policy-driven factors. A significant portion of the earlier increase in migration was temporary. Humanitarian schemes (Ukraine, BN(O)), post-pandemic adjustments, and pent-up demand—particularly among international students—generated a short-lived surge in inflows. As these effects unwind, migration would have declined even in the absence of policy change.

However, recent policy tightening has accelerated this decline. Key measures include:

- restrictions on dependants for students and care workers;
- increases in salary thresholds for skilled worker visas;
- tighter eligibility criteria across multiple routes.

At the same time, the UK has become a less attractive destination relative to competitors, reflecting both policy instability and relatively weak economic performance. The result is a sharp contraction rather than a gradual adjustment.

These trends suggest that migration is now falling rapidly and may undershoot long-run equilibrium levels (to the extent that such a concept is meaningful, since migration levels represent the outcome of a complex set of economic and political drivers).

6.2 Why "lower numbers" will not deliver political dividends

A central assumption underpinning current policy is that reducing migration will generate political gains. The empirical basis for this assumption is

weak. First, public concern about immigration does not track migration levels closely. Survey evidence suggests that salience responds more strongly to media coverage, visible indicators such as small boat crossings, and broader perceptions of government competence than to headline net migration figures.[42]

Second, reductions in migration are unlikely to satisfy voters whose concerns are rooted in cultural or identity factors rather than economic outcomes. In such cases, issue "ownership" tends to remain with actors whose primary message is restriction.[43]

Third, political benefits are asymmetric relative to economic costs. The economic effects of lower migration—on tax revenues, labour supply and sectoral capacity—emerge gradually and are often misattributed. By contrast, the political signal from announcing restrictions is immediate but short-lived.

The likely outcome is therefore limited and temporary political gain—if that—alongside more persistent economic costs.

6.3 Economic consequences of sustained decline

The economic effects of reduced migration largely follow from the discussion in sections 2 and 3 above, and operate through a small number of well-understood channels:

6.3.1 Output and labour supply

Lower migration reduces the level of GDP through its impact on labour supply. OBR-style modelling suggests that sustained reductions in net migration of several hundred thousand per year reduce GDP by around 1–2 per cent over the medium term.

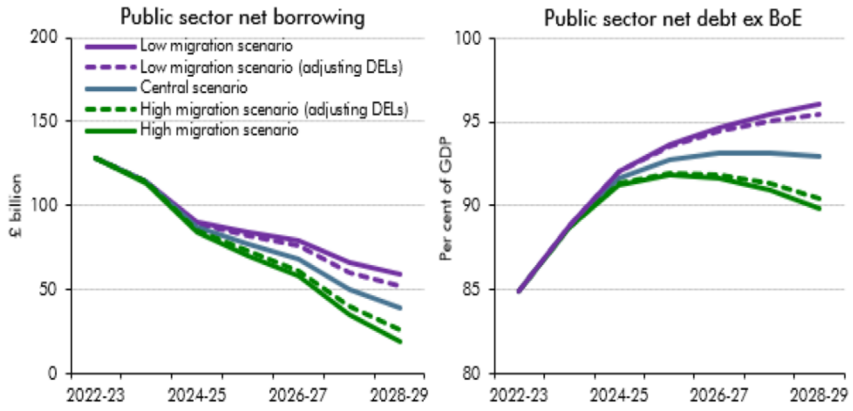
42 Shanta Kadam and Apurav Bhatiya. Small Boats, Big Impacts: The Ripple Effects of Irregular Migration. 2025.

43 Tarik Abou-Chadi, Silja Häusermann, Reto Mitteregger, Nadja Mosimann, and Markus Wagner. Trade-Offs of Social Democratic Party Strategies in a Pluralized Issue Space: A Conjoint Analysis. World Politics, 77(3):419–467, 2025.

6.3.2 Fiscal impacts

More importantly, reduced migration weakens the public finances. Migrants are disproportionately of working age, have relatively high employment rates and limited access to benefits. Lower inflows therefore reduce tax receipts and increase the effective dependency ratio.

Chart 6: Borrowing and PSND ex BoE in the migration scenarios



Source: ONS, OBS

Estimates suggest that a sustained reduction in migration of around 300,000 per year would weaken the fiscal position by approximately 0.5–1 per cent of GDP over the medium term—equivalent to £10–£20 billion annually.

6.4 Sectoral capacity constraints

In sectors characterised by structural shortages—health, social care, hospitality—the adjustment mechanism is not rapid wage-led substitution but reduced capacity. This manifests as:

- longer waiting times (healthcare);
- reduced service availability (hospitality);
- increased informal care burdens (social care).

These effects have knock-on consequences for productivity and labour supply elsewhere in the economy.

6.4.1 Dynamic and spillover effects

Migration supports labour market matching, local demand and sectors with wider spillovers, notably higher education. Reductions therefore have second-round effects on investment, innovation and regional economies.

Universities are a particularly clear example. International students represent a major export sector. Policies that reduce inflows therefore have immediate balance-of-payments effects as well as longer-term implications for skills and research.

Taken together, these channels point in a consistent direction. Lower migration, at plausible magnitudes, and given plausible approaches to "selecting" which forms of migration are reduced, is likely to:

- reduce the level of GDP;
- weaken the fiscal position;
- exacerbate pressures in labour-intensive public services;
- reduce activity in migrant-intensive sectors.

There is little evidence of offsetting gains of comparable scale. The broader implication is that migration is not a costless policy lever. In current UK conditions—weak growth, fiscal pressure and demographic ageing—reducing it constitutes a contractionary shock.

7. Why the current political strategy is economically self-defeating

The political logic behind tightening migration policy is straightforward: demonstrate control, respond to public concern, and undercut populist challengers. However, this strategy contains an internal contradiction that limits its effectiveness and, in some cases, renders it counterproductive.

The dominant political narrative increasingly treats migration as a primary cause of economic and social decline. While this framing originates most clearly from populist actors, it has progressively shaped mainstream discourse. The difficulty is that governments cannot adopt this framing selectively. Once migration is positioned as a central explanatory variable, responsibility for any continued economic or service pressures is implicitly attributed to those in office.

This creates a credibility trap. If migration remains substantial—because of students, dependants or humanitarian flows—the perception of policy failure persists. If migration is reduced sharply, the resulting economic effects—lower growth, weaker fiscal capacity and tighter labour markets—can reinforce dissatisfaction. In neither case does the strategy resolve the underlying political pressure.

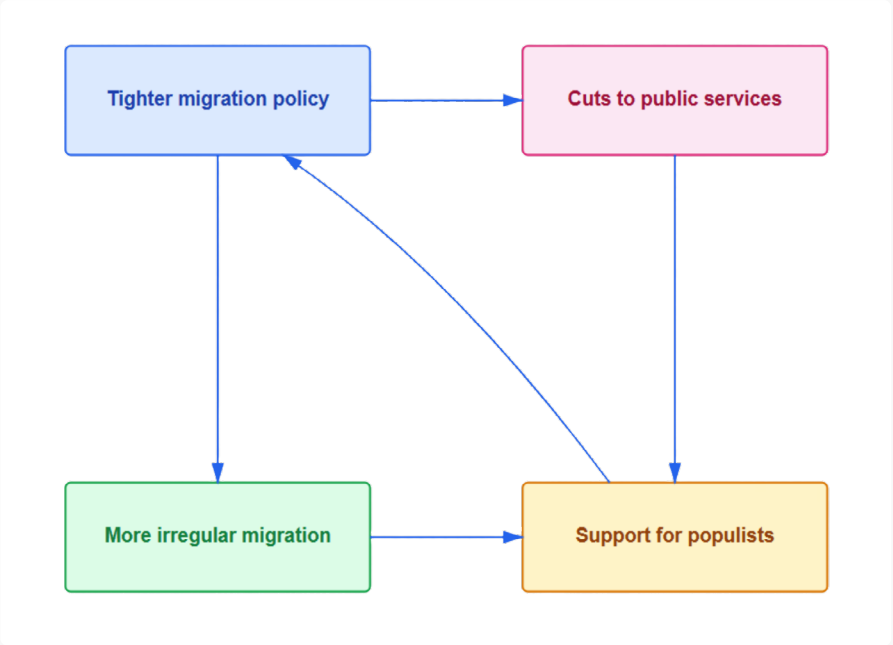
At the same time, rhetorical escalation raises expectations that policy cannot realistically meet. Commitments to "restore control" or eliminate perceived excesses establish benchmarks against which outcomes are judged. When these benchmarks are not met, or when improvements in living standards fail to materialise, migration remains a focal point for dissatisfaction.

There is also a clear asymmetry in political returns. The economic costs of lower migration emerge gradually and are often diffuse; the political signal from announcing restrictions is immediate but typically short-lived. This creates an incentive for repeated tightening without a corresponding improvement in underlying outcomes.

This dynamic can be summarised as follows:

1. Migration is framed as a cause of economic and social strain;
2. Policy is tightened in response;
3. Economic performance weakens (through labour supply and fiscal channels);
4. Public dissatisfaction increases;
5. Migration remains the focal point of political grievance.

Chart 7: The migration doom loop



The result is a self-reinforcing cycle in which policy both responds to and amplifies the conditions that sustain political pressure.

7.1 Immigration as a proxy for structural constraints

The persistence of this dynamic reflects the role immigration now plays within the UK's broader political economy. It has become a proxy for a range of structural domestic constraints.

Housing shortages reflect planning restrictions and underinvestment. Public service pressures reflect funding choices and demographic ageing. Productivity weakness reflects low investment, skills gaps and policy uncertainty. Yet migration is frequently presented as the proximate cause of each.

This substitution is politically functional. Structural reforms—planning liberalisation, tax reform, long-term investment strategies—are slow, complex and politically costly. Migration policy, by contrast, is relatively visible and administratively tractable. Tightening visa rules provides an immediate signal of action.

However, the economic consequences are misaligned with the underlying problems. Restricting migration does not materially increase housing supply, resolve funding constraints in social care, or raise capital investment. Instead, it reduces labour supply and fiscal capacity, making these problems harder to address.

This reinforces the "doom loop" dynamic described above. Migration is blamed for structural weaknesses; restrictive policies are introduced; economic conditions deteriorate; and migration remains the focus of dissatisfaction.

The central issue is therefore not simply misperception, but the interaction between political incentives and economic constraints. Migration policy has become a substitute for structural reform, with predictable economic consequences.

8. Reframing the narrative: towards an economically coherent immigration policy

The analysis in this paper does not imply a specific target level of migration. Rather, it suggests the need for a different conceptual framework.

First, immigration should be treated explicitly as an economic variable within macroeconomic management. Decisions about migration affect labour supply, fiscal sustainability and sectoral capacity. As such, they should be evaluated alongside other macroeconomic levers, rather than treated as a residual outcome of political pressure.

Second, stability should be prioritised over short-term control. The recent pattern of sharp increases followed by rapid declines reflects a system that is reactive rather than managed. Volatility imposes costs—on fiscal planning, business investment and institutional credibility—that are independent of the average level of migration.

Third, predictability is as important as the level of migration. Firms, universities and individuals make long-term decisions based on expectations of policy continuity. Frequent changes to eligibility criteria, salary thresholds and

entitlements increase uncertainty and reduce the effectiveness of the system as an economic tool.

Fourth, policy should be explicit about trade-offs. Reducing migration entails:

- lower aggregate output;
- weaker fiscal capacity;
- tighter labour supply in key sectors;
- reduced activity in export sectors such as higher education.

These effects may be judged acceptable for political or social reasons. But they should be acknowledged explicitly, rather than framed as costless or purely beneficial.

Finally, there is a need to distinguish between composition and level. The economic effects of migration depend not only on the number of migrants, but on their characteristics—age, skills, sectoral allocation and labour market participation. A focus on headline net migration obscures these distinctions and encourages policy choices that are poorly aligned with economic objectives. The relevant choice is therefore not between "high" and "low" migration in isolation. It is between managing migration in a way that supports economic performance, and allowing it to become a politically driven variable that undermines it.

9. Conclusion: the real economic risk

Immigration is not the cause of the UK's economic—or political—malaise. The country's core challenges—weak productivity growth, low investment, fiscal pressure and strained public services—have deeper structural origins. However, immigration policy can influence how these challenges evolve. Treated as an economic input, migration can mitigate demographic pressures, support the fiscal base and sustain capacity in key sectors. Treated as a symbolic policy lever, it risks doing the opposite.

The current trajectory reflects the latter. Migration is being reduced in response to perceived economic strain, despite the likelihood that this will intensify that strain. The resulting effects—lower growth, tighter public finances and reduced service capacity—are economically significant, even if they are not immediately visible in headline indicators. The central risk is therefore not immigration itself, but the belief that reducing it is costless. That belief has shaped policy in ways that are increasingly material for economic performance.

The UK does not face an immigration crisis in any conventional economic sense. It faces a problem of economic misattribution. Migration has become a focal point for grievances that originate elsewhere in the economy, and policy has followed that misdiagnosis.

The consequence is a set of choices that weaken the economy's capacity to address its underlying challenges. In that sense, immigration policy has become part of the problem it is intended to solve.

Progressive Economy Forum

About PEF

The Progressive Economy Forum (PEF) was founded and launched in May 2018. It brings together a Council of distinguished economists and academics to develop a progressive and sustainable macroeconomic programme and to foster wider public engagement with economics. It opposes and seeks to replace the current dominant economic narrative based on austerity.

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