HOW THE £30bn COST OF EU MIGRATION IMPERILS PENSIONS & BENEFITS

Why leaving the Single Market is vital for our public finances and to secure our pensions and benefits

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Introduction

EU ECONOMIC MIGRATION under Freedom of Movement is a financial catastrophe for the UK in its current form, closely interconnected as it is with the Freedom of Establishment. The latter EU Freedom enables multinationals to trade into the UK from bases in other Member States, paying no taxes here but employing low-skill/low-wage workers whose presence the rest of the UK subsidises. This practice appears to be so distasteful to the UK authorities that no reliable and audited statistics exist for it, in place of which a reasonable assumption quantifies an annual cost to the UK of £30 billion.

Taken together with the UK corporation tax these multinationals are able to avoid, the total cost to the UK of Freedom of Movement and Freedom of Establishment is about £40 billion per annum, or just under 60% of the annual public spending deficit. The effect on the UK public finances is to drain the resources available for pensions and benefits in the future.

EU economic migration under the terms of the Treaty on the Functioning of the European Union (TFEU)

Under the TFEU and the Freedom of Movement contained in it, no Member State has a right to deny an EU citizen either exit from their own Member State or entry into it from another. Individual citizen rights are reinforced by EU Human Rights legislation.

In other words neither a citizen's home Member State (the Member State issuing them with their passport or identification card) nor any host Member State has a right to deny exit/entry or attach conditions to it.

This is the migrant worker regime that is obligatory for the UK towards citizens of other EU Member States whilst the UK is a member of the EU and subject to the TFEU.

Legality of migrant worker regimes

What we have seen in the UK, especially since the accession into the EU of the Eastern European Member States, is economic migration pure and simple: EU citizens seeking a better economic outcome for themselves by moving to a different Member State. Under EU theory, this is supposed to be beneficial for all EU Member States, with all acting as 'home' and 'host' Member States, just as Pennsylvania, Missouri, Colorado and so on act in the USA.

There can be no argument that EU migrant workers into the UK are fleeing oppression in their own countries. We are not talking about the seeking of asylum or about refugee status pursuant to Article 13 of the Universal Declaration of Human Rights that "Everyone has the right to seek and to enjoy in other countries asylum from persecution". The UK's duties in that regard transcend – *and will outlast* – any duties in the same areas created by EU membership.

Nor will Article 12 cease to apply after the UK's membership of the EU comes to an end. Article 12 states that "(1) Everyone has the right to freedom of movement and residence within the borders of each state"; and (2) "Everyone has the right to leave any country, including his own, and to return to his country".

Whilst the UK is subject to the TFEU, however, "within the borders of each state" means "within the borders of the EU", since, in this regard at least, the TFEU has fused the EU Member States into a single entity. Once the UK has left the EU, the meaning would revert to "within the borders of the UK". Similarly, as regards (2), there is no question of UK citizens not being permitted to leave the UK, or of citizens of other countries not being permitted to enter the UK or leave.

The issue to be considered is about having the automatic right to work and live in another country, and to then gain as of right the associated benefits. Those elements cease to accrue automatically for either UK citizens in other EU Member States or for EU Member State citizens in the UK at the point where the UK ceases to be an EU Member, absent any agreement reached in negotiation between the UK and the remaining EU Member States to the contrary.

As a non-EU member state the UK will have a right to establish a migrant worker regime (or indeed none) designed to serve its own interests, in the same way as countries like the USA, Switzerland, Singapore, Japan and Australia have such regimes – countries whose credentials as civilised nations are not in question and whose migrant worker regimes in no way conflict with their adherence to the Universal Declaration of Human Rights.

Typical characteristics of migrant worker regimes

Migrant worker regimes can have varying conditions without presenting any kind of infringement of the UN Universal Declaration of Human Rights:

- Time: fixed period or until further notice;
- Change of employer: valid for just the employer offering a position that the migrant worker wishes to take up, or transferable between employers;
- Allowing no progression of rights, or foreseeing a progression to right-of-permanent- residence and/or citizenship.

The offering of a job to a migrant worker frequently involves advertising the position to indigenous workers first, and the delivery to authorities of a burden of proof that the job both needs to be done and cannot be filled from the indigenous labour pool.

If the job is then offered to a migrant worker, the resulting contract is economic:

- The existence of the job adds value to the 'host' country;
- The migrant worker experiences an economic benefit by taking up that job under the contract offered by the employer and in the context of the tax regime, public services regime, and other rights and responsibilities they will enjoy under the terms of applicable law.

If the economic contract is not concluded, then either the deal for the migrant worker is unattractive or the job does not add value for the 'host' country.

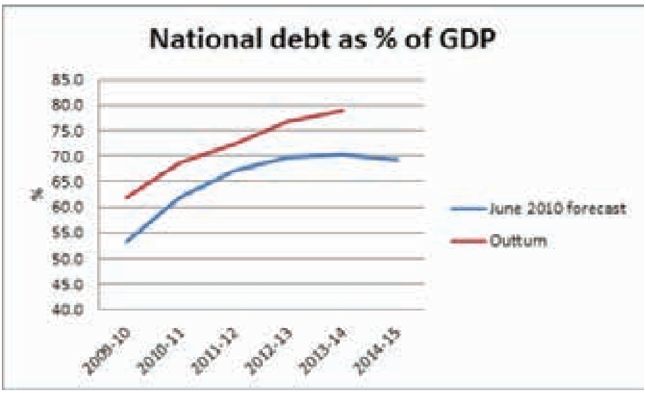
Right now, though, and for the UK as an EU Member State, only one part of that deal is in operation and might preclude the contract being concluded: namely, *that the deal for the migrant worker is unattractive*.

The UK has no right to make a value judgment as to whether the existence of the job serves its interests, or could be filled from the indigenous labour pool. The referendum vote was one in favour of the UK restoring the right to make these value judgements in its own interest i.e. to exercise sovereignty in this area.

UK context in which EU economic migration is occurring

The UK context in which EU economic migration is occurring is that the UK is supposedly recovering from the 2008 crisis with one of the highest rates of nominal GDP growth in the EU, as well as a high rate of job creation and falling unemployment.

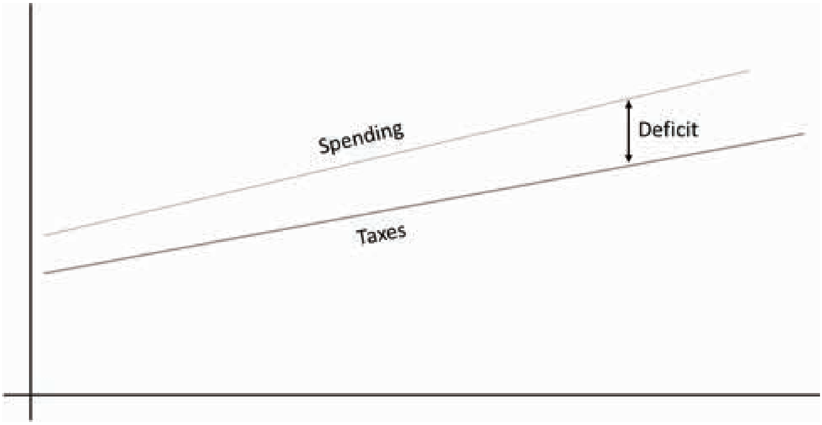
Nevertheless, the public finances have not recovered. The Conservative/ Liberal Democrat coalition managed to reduce the annual deficit to the extent that the national debt ceased to increase so quickly, but they neither eliminated the deficit nor reduced the debt. Targets have constantly been missed:



Source: http://www.independent.co.uk/news/business/news/autumn-statement-4-charts-that-show-how-badly-george-osborne-has-got-it-wrong-9896391.html?origin=internalSearch

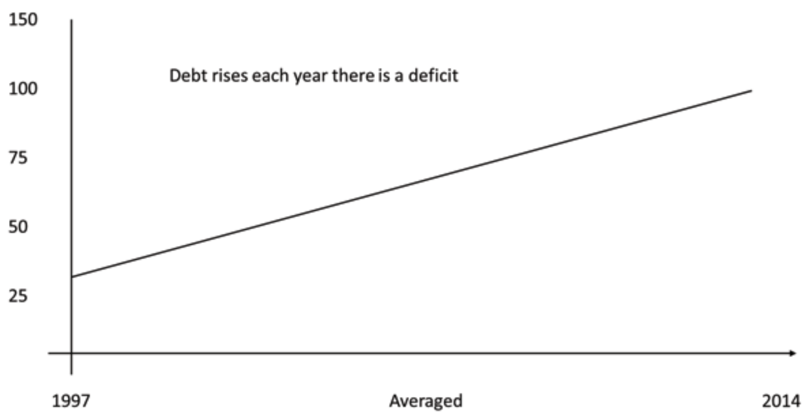
The 2008 crisis exacerbated the trajectory that the UK's public finances had been on since the early 2000s, which had been a consistent worsening, although starting from a very healthy base under the Major government:

Trajectory of UK public spending / widening annual deficit 2002 - 2012



The size of the deficit started to reduce around 2012, but all that meant was that the rate of increase of the national debt slackened off. Every year there was a deficit of some size, the national debt went up. Since the rate of increase of the debt was still greater than the rate of the expansion of the economy, the Debt-to-GDP ratio continued to increase, even though the annual deficit decreased. All this means is that the debt - in absolute terms and in relation to GDP - is not increasing as fast as it was before:

Trajectory of UK public spending / rising Debt-to-GDP ratio

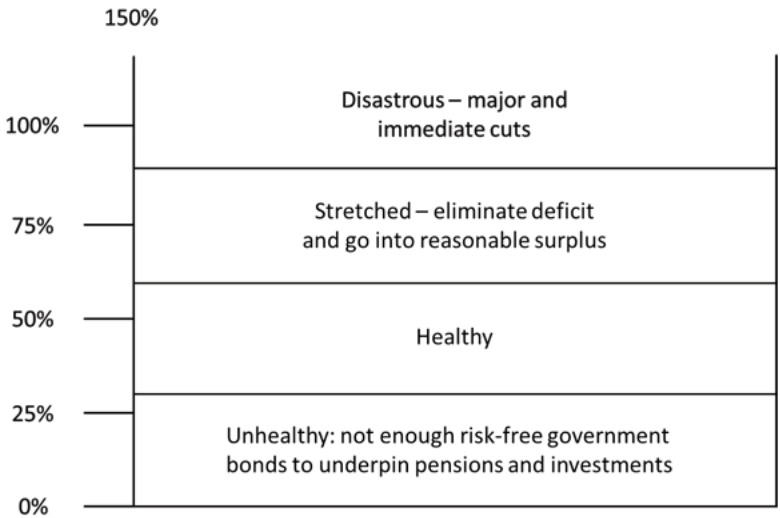


The relationship of national debt to GDP (or to total economic production) has knock-on effects for the health of the economy, which is why the EU authorities responded to the Eurozone debt crisis in the form of the EU Fiscal Stability Treaty (FST).

Under the FST the signatory Member States must reduce their Debt-to-GDP ratio to 60% by 2030, or below it if they expect to experience additional age-related social costs through to 2050.

The FST's aims can be expressed in terms of the chart below: to reduce and keep the Debt-to-GDP ratio of the Member States to a place within the "Healthy" zone:

Debt-to-GDP ratio



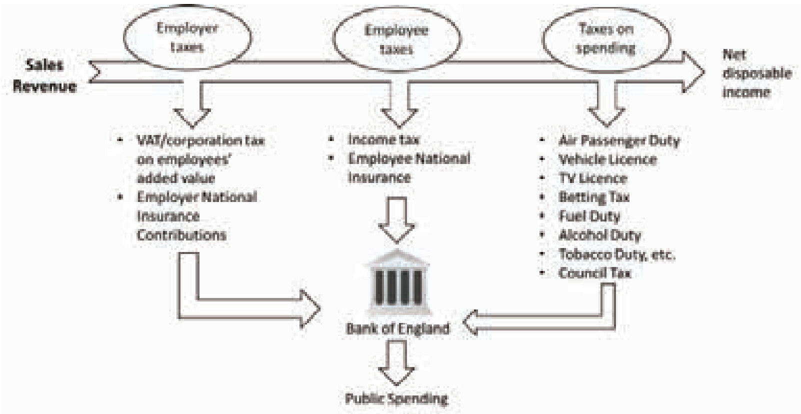
Spending versus tax revenues

In the table above the UK still sits within the banding called "Stretched – eliminate deficit and go into reasonable surplus", and we have been there since David Cameron came to power in 2010 and continued to move in the wrong direction within that banding. Austerity – in the 2010-2015 Parliament – was not severe enough to eliminate the deficit; or one could also say that economic growth was not strong enough. This is still the case now.

Jobs are being created, GDP growth is solid and unemployment is low, but the deficit is not coming down at the rates at which employment and GDP are going up.

This points to a malfunction in the private sector economy on the revenue side of the equation, *not* to a problem in the public sector on the expense side of the equation. Not enough taxes are being collected within the following chart:

Contribution of private sector employee to taxes



Public spending on the three biggest areas has been 'ringfenced': Education, Welfare and Health. Austerity has been focussed on the other areas of public spending. The three 'ringfenced' areas are also the areas with a close relationship of spending to population numbers: a Trident submarine and an embassy in New York do not cost more or less because there are 50,000 more or fewer people in the UK, but expenditure on Education closely follows the number of pupils being educated.

We know as well that the average public spending per head of the UK population is £10,500: this figure was much used in the Scottish independence referendum and has not altered appreciably since then.

The UK's highly progressive taxation system means that only a person whose salary is £35,000 per annum and is on PAYE pays sufficient in direct taxes to meet this figure. Successive governments have set it as an objective to take people at the bottom end of the income scale out of tax.

This is again a well-rehearsed point, but disguises:

- The impact of indirect taxes, such that a person on a salary of £33,000 on PAYE might easily pay out sufficient in indirect taxes to deliver a total tax take of £10,500;
- That VAT is irrelevant to UK public spending since it is an EU tax, rates as one of the lines in the EU's "Own Resources" in its budget, and is paid to the EU;
- A person with an income of £35,000 but acting as a sole trader or through a limited liability company will pay less than the £10,500 in direct taxes paid by a PAYE employee earning the same figure as a salary;
- The circumstances of an individual and the household they live in will either reduce or magnify the cost of the public services they are using, below £10,500 per person or above it;
- Only one household in ten in the UK – and incidentally one in twenty in Scotland – is delivering sufficient direct taxes to pay for the public services the household consumes;
- In other words, nine out of ten households in the UK – and nineteen out of twenty in Scotland – are a net drain on the public purse.

This being the situation, prudent economic management would suggest that it would be sensible to add to the households above the line, where they make a contribution to public expenditure, and not below the line, where they add to the drain.

Job creation and tax receipts

During the recovery, many more jobs may have been created but this has not resulted in an analogous rise in Income Tax and National Insurance collected. Philip Aldrick, in his *Times* business column on 26th November 2016, states that the recovery has been jobs-rich, just not for Revenue & Customs. His lead argument is that sole traders have been incorporating in order to reduce their National Insurance and Tax liabilities, but this seems to be only part of the story.

The Chancellor's 2016 Autumn Statement was bombastic as regards economic growth and job creation:
http://www.telegraph.co.uk/business/2016/11/23/autumn-statement-chancellors-speech-full/

- the OBR ('Office of Budget Responsibility') is forecasting growth of 2.1% for 2016, 1.4% in 2017, recovering to 1.7% in 2018, 2.1% in 2019 and 2020, and 2% in 2021;
- "We've delivered over 2.7 million new jobs since 2010";
- "This forecast shows that number growing in every year – another 500,000 over the OBR forecast – providing security for working people across the length and breadth of Britain";
- "A labour market recovery that is working for everyone".

There is absolutely no trace of doubt here as to whether the creation of these new jobs and the additions to the GDP numbers that these jobs will provoke are 'good news'.

The bad news – borrowing and the ongoing public deficit

On the public debt, however, the tone is more sombre. Mr Hammond announced a new version of the Charter of Budget Responsibility with three elements:

1. The public finances should be returned to balance as early as possible in the next Parliament, and, in the interim, cyclically-adjusted borrowing should be below 2% by the end of this Parliament;
2. Public sector net debt as a share of GDP must be falling by the end of this Parliament;
3. Welfare spending must be within a cap, set by the government and monitored by the OBR.

The deficit will not be eliminated in this Parliament, but should fall below 2% of GDP by 2020. In other words, the national debt will still be increasing at the time of the next General Election.

The OBR is now forecasting that the additions to the national debt will be:

Financial Year	Addition in GBP billions
2016-17	68.2
2017-18	59.0
2018-19	46.5
2019-20	21.9
2020-21	20.7
2021-22	17.2

These annual deficits amount to 4% of 2015 GDP, 3.5% of 2016-17 GDP as long as GDP does rise by 2.1%, and then falling to 0.7% of GDP in 2021-22, again assuming that all of the OBR's projections for GDP growth between now and 2021-22 are fulfilled.

The key figure for the fulfilment of Point (1) in the new Charter is that "the OBR expects cyclically adjusted public sector net borrowing to be 0.8% of GDP in 2020-21, comfortably meeting our target to reduce it to less than 2%". Why set the target at a figure that come comfortably be met? Why not set the target at the figure you expect to achieve i.e. 0.8%? The answer is obvious – that the Chancellor has no confidence in the figures on the GDP and tax revenues that underpin the 0.8% forecast, so he has set the target with wiggle room of 1.2%, just like a South West Trains timetable that has 4 minutes added to a 35 minute journey, because the trains are always 4 minutes late, but in future they will be on time!

But now comes the really tricky bit, which is the actual Debt-to-GDP ratio between now and 2021-22. Despite the emollient tone of Mr Hammond's speech up to now, he has to admit that this ratio is still going up and that it will only start to fall '*manaña*':

> *"The OBR's forecast of higher borrowing and slower asset sales, together with the temporary effect of the Bank of England's action to stimulate growth, translates into an increased forecast for debt in the near-term".*

It is worth re-emphasizing at every step of the way that the OBR forecasts of the Debt-to-GDP ratio are based on their own projections of GDP growth, the good side of the equation. The bad side – the Debt – is more or less guaranteed to occur.

So, with flaky figures for both tax receipts and GDP, and rock-solid figures for costs and debt, the Debt-to-GDP is projected to deteriorate as follows:

- Rising from 84.2% of GDP last year to 87.3% this year;
- Peaking at 90.2% in 2017-18 as the Bank of England's monetary policy interventions approach their full effect;
- Falling in 2018-19 to 89.7% of national income – "the first fall in the national debt as a share of GDP since 2001-02" (so what?);
- Forecast to continue falling thereafter.

Cross-referencing back to our chart above and bearing in mind that the EU Fiscal Stability Treaty required signatory Member States to reduce their Debt-to-GDP ratio to 60% by 2030, the UK is now sitting in the top quartile of the layer entitled “Stretched – eliminate deficit and go into reasonable surplus”. That layer starts at 60% (the top of the FST bracket for “Healthy”) and finishes at 90%.

We are nowhere near to being on a trajectory to bring us down into the “Healthy” bracket at the same time as the other EU Member States, and are still heading in the wrong direction.

Above 90% and you are into the bracket “Disastrous – major and immediate cuts”. In other words, after 8 years of austerity our ratio is still worsening, and we have moved into the very top echelon of “Stretched” and will move into “Disastrous” in 2017-18. We could get there earlier, get further into it and stay in it longer if the government’s projections of tax revenues fall short of their own projections, and/or if their projections of expenditure prove optimistic, as they have often done before in both cases.

Whichever way one tries to gloss the figures, they are very poor. The direction of travel is wrong. Even worse, the government seems to have no idea why we are in this position, and still less why it is vital that we start to move decisively in the right direction and very soon.

Scaling of the numbers of EU economic migrants

Nor does the government appear to have a clear idea as to the size of the issue at hand when it comes to numbers of EU migrant workers, on what basis they are employed, who with, on what wages, and the resulting amounts on Income Tax and National Insurance that are collected.

Liam Fox stated at the Conservative Party conference on 4th October 2016 that “no commitment would be given on the rights of two million EU citizens to remain in the UK until reciprocal rights were agreed for British citizens”.

The Migration Observatory states that the population of EU-born in the UK stood at just over 3.5 million in the first quarter of 2016 and that approximately 2.2 million EU born were employed in the UK labour market.

The Migration Observatory also stated, on 1st December 2016 and drawing on data from the UK's Labour Force Survey (LFS) conducted by the UK Office for National Statistics (ONS), that:

- The number of foreign-born people of working age in the UK increased from nearly 3 million in 1993 to 7 million in 2015;
- The share of foreign-born people in total employment increased from 7.2% in 1993 to 16.7% in 2015. The share of foreign-citizens in total employment increased from 3.5% in 1993 to 10.7% in 2015;
- Compared to the early 2000s, the presence of foreign-born workers has grown fastest in relatively low-skilled sectors and occupations. The increase in the share of foreign-born workers was fastest among process operatives (e.g. transport drivers, food, drink and tobacco process operators), up from 8.5% in 2002 to 36.0% in 2015.

If there were indeed 2 million EU migrant workers in the UK and 3.5 million citizens of other EU Member States, it would infer that 1.5 million of the citizens were non-working, and thus were dependents of the 2 million.

For illustrative purposes, and in the absence of audited official statistics, it has been thought best to use an estimate of 2 million EU migrant workers and 1 million non-working dependents, with each person assumed to be using UK public services to the UK average: £10,500 per annum.

Under these presumptions the total cost of EU migrant worker households in terms of usage of UK public services is £10,500 x 3 million per annum = £31.5 billion per annum. That is just under 50% of the UK's current public spending deficit.

Job-creation in low-skill/low-wage employment

There does seem to be consensus that the fulcrum of job creation since 2008 has been in low-skill/low-wage employment, including in part-time working and in zero-hours contracts.

There is also evidence – upon which Philip Aldrick was drawing – that there are business models where individual workers operate either as self-employed sole traders or as single-director limited liability companies. Uber drivers were recently identified as such a group when they went to court to obtain employee rights. In other words we have some evidence of techniques being used to reduce direct taxes in occupations where the man-on-the-Clapham-omnibus (as opposed to the man in the Ford Mondeo Uber car) would view the worker as an employee and subject to PAYE.

Thus any calculation of what a PAYE employee – and their employer - would pay in direct taxes is at risk of error because:

- The terms of the contract of employment might reduce or eliminate the direct taxes;
- The number of hours worked, if low anyway and spread over two employees rather than one, might bring the earnings of both employees below the level where any direct taxes were payable at all;
- The personal circumstances of the employee might generate cash benefits (e.g. Child Benefit) or tax credits so as not only to eliminate the net direct taxes paid, but to actually make the individual a net recipient of cash from the public purse, over and above their usage of public services.

Nevertheless a strawman example is required, and here is one of an EU migrant 'barista' in a chain in the UK instead of in the same multinational's cafes in Krakow or Kaunas, earning £10,000 per annum here, and we can see the financial value of that job to the UK:

Taxation type	**Amount payable**	**Comments**
Corporation tax	£0.00	Thanks to multiple usage of Dutch/Swiss/ Irish sandwiches by companies of this type, no corporation tax is paid in the UK
Value Added Tax	£0.00	Value Added Tax is the property of the EU and is paid over to Brussels
Income Tax	£0.00	Earnings are below the Personal Allowance
Employee National Insurance	£232.80	12% of £1,940 (the difference between £10,000 and the Primary Threshold)
Employer National Insurance	£260.54	13.8% of £1,888 (the difference between £10,000 and the Secondary Threshold)
Direct taxes from this job	£493.34	£232.80 + £260.54
Take-home pay	£9,767.20	£10,000 - £232.80
VAT from take-home pay purchases	£0.00	Value Added Tax is the property of the EU and is paid over to Brussels
Road Tax, Insurance Premium Tax and other indirect taxes	???	How much will there be of this when take-home pay is £9,767.20?
In-work benefits	???	Depending on personal circumstances, there could be in-work benefits that reduce or eliminate the direct taxes from the job
Direct taxes deficit against cost of public services	£10,006.66	The job yields £493.34; public services cost £10,500

The financial value of that job to the UK is negative: it brings with it a drain on UK public services and the UK would be financially better off if the job had never been created, notwithstanding that the job adds to the statistics of “Number of workers in employment” and “GDP”, and that Mr Hammond is then able to trumpet these two rising figures from the Despatch Box.

EU economic migrants in tax-efficient EU business models of multinationals

This is where the Freedom of Movement meets the Freedom of Incorporation, and not in a good way, for the UK at any rate. Multinationals – such as major café chains – have established their EU headquarters companies in countries like Ireland, Luxembourg and the Netherlands, making use of (i) their beneficial domestic tax regimes, (ii) their networks of Double Tax Treaties, and (iii) the possibilities of applying some or all of flexible intercompany charging, imposition of discretionary royalty payments, and the ‘Commissionaire Sales Model’ whereby UK subsidiaries act as agents of, ‘on behalf of’, these other EU companies.

This range of available tools is manipulated so as to:

- Eliminate UK profits;
- Eliminate UK corporation tax;
- Concentrate high-value/high-wage jobs in Ireland, Luxembourg and the Netherlands;
- Concentrate ancillary spending in Ireland, Luxembourg and the Netherlands;
- Concentrate workforce numbers in the UK but in low-skill/low-wage work;
- Put the UK workforce onto an employment regime where there are minimal direct taxes;
- UK take-home pay being so low, indirect taxes will be minimal as well.

Result for the “host” Member State

The result for the UK is that we play host to EU migrant workers who are being used as devices to run the UK-end of the business models of these multinationals, where colossal amounts are invoiced into the UK from Ireland, Luxembourg and the Netherlands – adding to our Balance of Trade deficit and Balance of Payments deficit.

The creation of such a job is a direct and meaningful drain on the UK. We are subsidising both the employer – who could not operate their supply chain if there were no workers in the UK – and the employee – who would not move to work in the UK if it was not economically beneficial for them. The missing party in this Value equation is the UK, whose rights are not being represented.

The UK would be far better off financially if these jobs simply did not exist. A 'recovery' involving the creation of hundreds of thousands of such jobs and the importation of the low-skilled workforce to do them has been catastrophic for the UK's public finances.

Assuming that the 2 million UK jobs being currently carried out by EU migrant workers deliver as much as £493 each of direct taxes – let's round it up to £500 – the total direct tax-take would only amount to £1 billion per annum, to be set against the cost of providing these workers and their non-working dependents with public services of £31.5 billion per annum.

This sums up the basic madness of EU finances for the UK, when the person's employer makes use of the Freedom of Establishment and the Freedom of Movement, to create money-draining jobs in the UK and to exploit the facilities made available by our EU "partners" (mainly the Netherlands, Luxembourg and Ireland) to book profits in their country, to book expenses in our country, and do any meaningful spending they need to make outside the UK as well.

This is just the cash cost per annum on public spending, and says nothing about the investment needed in the past to create the economic and social infrastructure required for there to be a market in the first place for the goods and services of these multinationals, and for there to be an infrastructure in the UK to support EU migrant workers coming to live and work here. That is all used for free.

The government applauds the results in terms of employment and GDP growth, but these jobs deliver a negative financial outcome to the UK. All they do achieve, over time, is to increase the measures against which the UK's cash contributions to the EU Budget and the UK's risk-share in the European Central Bank and the European Investment Bank are set. The growth in the UK's key statistics impose a further drain on our resources further down the line.

The impact on pensions and benefits

There are two common misconceptions about pensions and other benefits.

The first is that pensions and other benefits are financed from a pool established by past National Insurance Contributions, when today's pensioners and other benefit recipients are actually funded out of current taxes and NIC contributions. Past pensions and benefits were paid out of the past taxes and NIC contributions of *today's* pensioners, and today's workers are now paying for the current pensions and benefits and in turn will have their pensions and benefits paid out of the contributions of future workers.

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

By raising the starting threshold of income tax to over £10,000 per annum this new phenomenon has been exacerbated. The £30 billion cost to public finances of EU migrants illustrates how the UK pensions and benefits are being imperilled rather than helped.

Conclusions

In the absence of official and audited figures, we can set up a strawman that EU economic migration is costing the UK about £30 billion per annum in the deficit between:

- the cost of providing public services of £10,500 per head per annum to the 2 million EU migrant workers and their 1 million dependents; and
- the direct tax-take from the jobs these migrant workers are occupying.

The UK Chancellor predicts a public spending deficit of £68.2 billion for the current year, and austerity going on into the next decade. The Institute for Fiscal Studies predicts a £60 billion ‘black hole’ in the public finances caused by Brexit, i.e. a total amount over a period in terms of shortfall of tax revenues compared to the previous forecast of future tax revenues. The Brexit Papers, on the other hand, can pinpoint current solid causes of money outflow that can be stopped, and all “per annum” – not over a period:

Source	**Annual amount**
EU migrant workers	£30 billion
Net UK cash contribution to EU	£10 billion
Corporation Tax/tax-efficient EU business structures	£10 billion
Total	£50 billion
UK public deficit now	£68.2 billion
Reduction in public deficit enabled	74%

Over the same 5-year period for which the Institute for Fiscal Studies predicts a £60 billion ‘black hole’ in the public finances caused by Brexit, the Brexit Papers project a £250 billion available benefit. The IFS use projections, which may be as good as the OBR’s projections – or better or worse. The Brexit Papers’ figures are based on realistic assumptions around concrete and official statistics of what is happening right now.

Membership of the EU’s Single Market and the freedoms of movement and establishment that come with it are indivisable. The only way to escape the £30bn drain on the UK’s public finances caused by the net fiscal deficit from migration and the accompanying tax and benefit regimes is to leave the Single Market so that UK’s migration and employment policies can be adjusted to suit its own circumstances.

The key points are leadership and determination. We can, as a nation, decide we want to garner the £250 billion available benefit, and we can decide to undertake action such that the £60 billion ‘black hole’ does not appear. But both depend on leadership to articulate the goal and drive through the measures needed to get there: that means a very clean Brexit and no membership of the Single Market, because it is down the pathway of a very clean Brexit that the major benefits – such as saving our pensions and benefits system – will lie.

Bob Lyddon 14 February 2017

Summary of
£30 Billion: The true cost of EU migration

Why leaving the Single Market is vital to improve our public finances and leave behind austerity policies

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

About the author...

Bob Lyddon

Bob Lyddon is an experienced management consultant both privately and with PwC. Recent engagements include running an international banking alliance, advising small payment providers how to access UK payment systems, and advising a major player in global payments as to the opportunities and threats arising from the establishment the UK's Payment Systems Regulator.

With PwC Bob managed several Euro implementation programmes.
Prior to that, he had a diverse 17-year career in international banking, encompassing Transaction Banking, syndicated loans, export finance and derivatives.

Bob holds a First Class degree in Modern Languages from the University of Cambridge.

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The Brexit Papers is a series of detailed essays designed to ask questions and provoke debate about the policies and strategies required to ensure the UK enjoys as optimal and clean a Brexit as possible. In this, the sixth, Bob Lyddon exposes the fiscal cost of EU migration and how we need to leave the Single Market to have any prospect of reducing it.

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