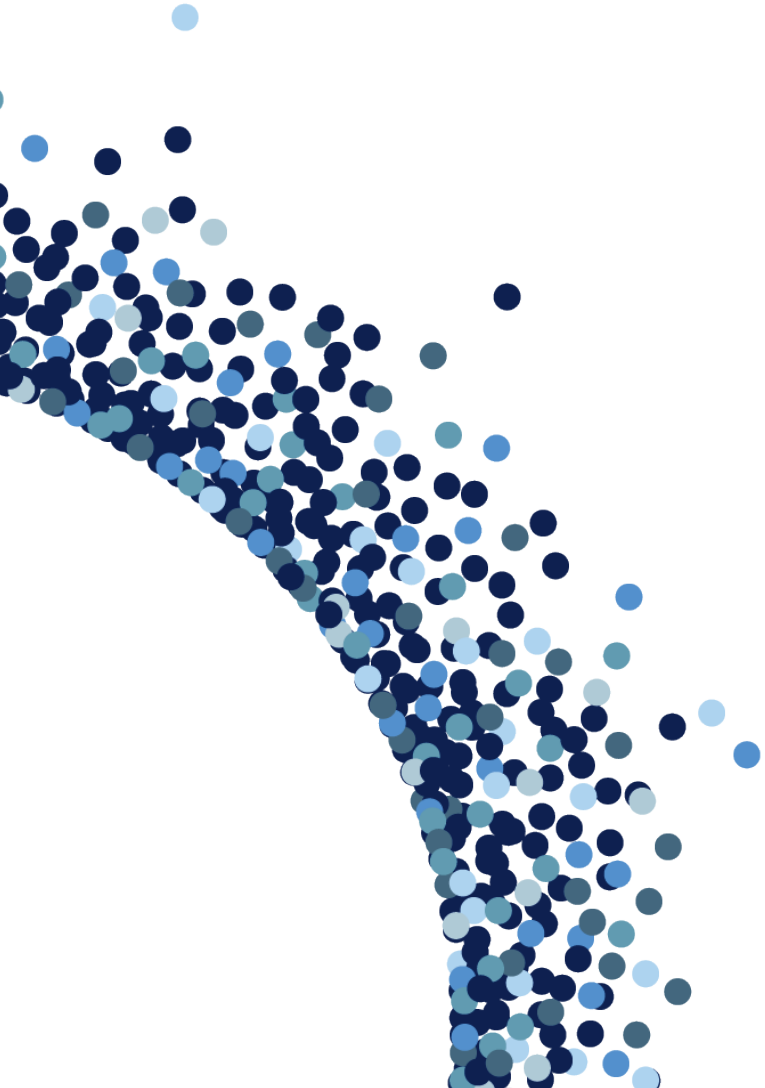
THE MIGRATION OBSERVATORY
AT THE UNIVERSITY OF OXFORD

BRIEFING

The Fiscal Impact of Immigration in the UK



AUTHORS: Carlos Vargas-Silva
Madeleine Sumption
Ben Brindle

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COMPAS
Centre on Migration, Policy & Society

UNIVERSITY OF OXFORD

www.migrationobservatory.ox.ac.uk

This briefing provides an overview of research on the impact of immigration on government finances in the UK.

Key Points

The impacts of migration on public finances depend on migrants' characteristics, such as their age, skills, and earnings. Some groups, such as people with children, need to earn more to make a net positive fiscal contribution because they incur greater expenditure on health and education.

The fiscal impact of migration varies substantially by immigration route. For example, migrants entering the UK on skilled work visas (excluding health and care) are estimated to have a positive fiscal impact on average, while care workers and family members of British citizens have a negative fiscal impact.

Pre-Brexit studies that assessed overall fiscal impacts typically found that the fiscal impacts of migration were less than 1% of GDP. These studies also tended to agree that recently arrived migrants had a more positive impact than people who had lived in the UK for longer.

Office for Budget Responsibility (OBR) forecasts have generally estimated that higher net migration leads to lower deficits and debt in the short to medium term, because migrants tend to be of working age.

Understanding the policy

The UK does not have a single policy or strategy on the fiscal impact of immigration, but there are some policies that explicitly aim to shape migration's impact on public finances.

For example, the No Recourse to Public Funds condition (NRPF) prevents non-EU citizens on work, study, or family visas from accessing most benefits, including Universal Credit or Child Benefit, until the visa holder has been granted indefinite leave to remain (ILR). The government has said that NRPF is designed to prevent fiscal costs resulting from the payment of benefits.

Other policies may also have fiscal impacts or have been developed partly on fiscal logic. For example, the minimum salary threshold for skilled workers increases the likelihood they will make substantial tax contributions. In addition, the Immigration Health Surcharge (IHS), which most people applying for work, family, or study visas must pay (some applicants are exempt from the charge, such as applicants for Health and Care visas), effectively operates as an additional tax on temporary visa holders, in addition to normal fiscal contributions through the tax system. At the time of writing, in June 2026, IHS stood at £1,035 per year (or £776 per year for students and children). For more information on immigration fees, see our Q&A: Immigration Fees in the UK.

Understanding the evidence

The fiscal impact of immigration is estimated by calculating the contributions migrants make to public finances (such as through paying tax) minus their cost to public finances (such as through receiving benefits and healthcare). A positive net fiscal impact indicates that migrants pay more into public finances than they take out (or in other terms, that immigration contributes more to government revenue than it costs in terms of government expenditure).

Contributions to public finances (or 'revenues') include taxes paid directly, such as income tax, National Insurance, and value-added tax (VAT) on purchases, and sometimes shares of taxes paid by UK businesses. Costs to public finances (or 'expenditures') include direct costs such as NHS care; education for migrants' children; cash benefits such as tax credits and pensions; and government spending that is likely to be affected by an increase in population, such as transport and policing. Some studies also attribute to migrants indirect costs, such as a share of the cost of government spending on defence or running central government departments, which are less likely to be affected directly by migration. The studies reviewed in this briefing generally define migrants as those born outside the UK.

Many of the contributions and costs that need to be included in estimates of the net fiscal impact of migration cannot be calculated directly, because the data do not exist or are not publicly available. As a result, researchers estimating fiscal impacts must make many assumptions, which influence the results. For example, four different studies examined in this briefing look at the same groups of migrants during the same period (2001 to 2011) but come to different conclusions because of the assumptions they make about what should be counted as contributions and costs. Rowthorn (2014) provides a useful and accessible discussion of the differences. Nonetheless, all four studies conclude that there is a difference between the contributions made by migrants from the original 14 EU Member States (the EU-15 minus the UK), the newer EU Member States (the EU-8 and EU-2), and non-EU migrants.

A key methodological question is whether to attribute to migrants the cost of educating UK-born children. If the definition of a migrant is an individual born outside the country, then the UK-born children of migrants should be part of the UK-born group. However, these children would not have been in the country if their parents had not migrated in the first place so the cost of educating them results from migration. On the other hand, if migrants' children remain in the UK and later enter the workforce, they will later pay taxes on earnings, and this is not accounted for in the static approaches reviewed in this paper. The treatment of children is complicated further by the existence of children of 'mixed couples', where one parents is UK-born and one foreign-born. Some studies 'split' the children of mixed couples between the two groups.

Another important question when examining the fiscal impact of migration is whether to look at the net cost or contribution of migrants in *absolute* terms—that is, in £ billions—or their net fiscal impact *relative* to the *UK-born*. In any given year, the relative fiscal contribution of migrants depends in part on the state of public finances (i.e., whether the UK is running a budget surplus or deficit) and government spending decisions. When there is a budget deficit, the average UK resident will present a net fiscal cost. As a result, whether migrants are having an absolute positive or negative fiscal impact does not indicate clearly how they compare to the UK-born. At the same time, relative comparisons at the whole population level are complicated by there being a much higher proportion of retired people among the UK-born. The working-age UK population is in surplus even taking into account government spending on their children.

A key distinction between fiscal impact studies is whether they use analysis that is *static* or *dynamic*. Static approaches compare the contributions migrants currently living in the country are making to public finances against the services and benefits they received in a given period of time. The advantage of this approach is that it uses historical data and does not have to make assumptions about the future. The drawback is that it is only a snapshot at one point in time, and so ignores the fact that the fiscal effects of a given migrant group will depend on where they are in their life cycle. For example, young people with no children incur relatively low costs for public services such as health and education, and so do not need to earn as much as older people to be net fiscal contributors. This means that the estimated fiscal impact of a given group in a given year will depend on factors such as how long migrants have been in the UK and how old they are.

The dynamic or 'lifecycle' approach instead estimates the value of contributions and costs over migrants' entire lifetime. While this approach accounts more fully for migrants' costs over long periods, it requires more assumptions. This includes assumptions about return migration rates, future changes in earnings and employment rates, and future policies on tax and government spending. Dynamic models sometimes fail to capture the costs of educating children of migrants who emigrate before reaching adulthood and who thus never pay UK taxes.

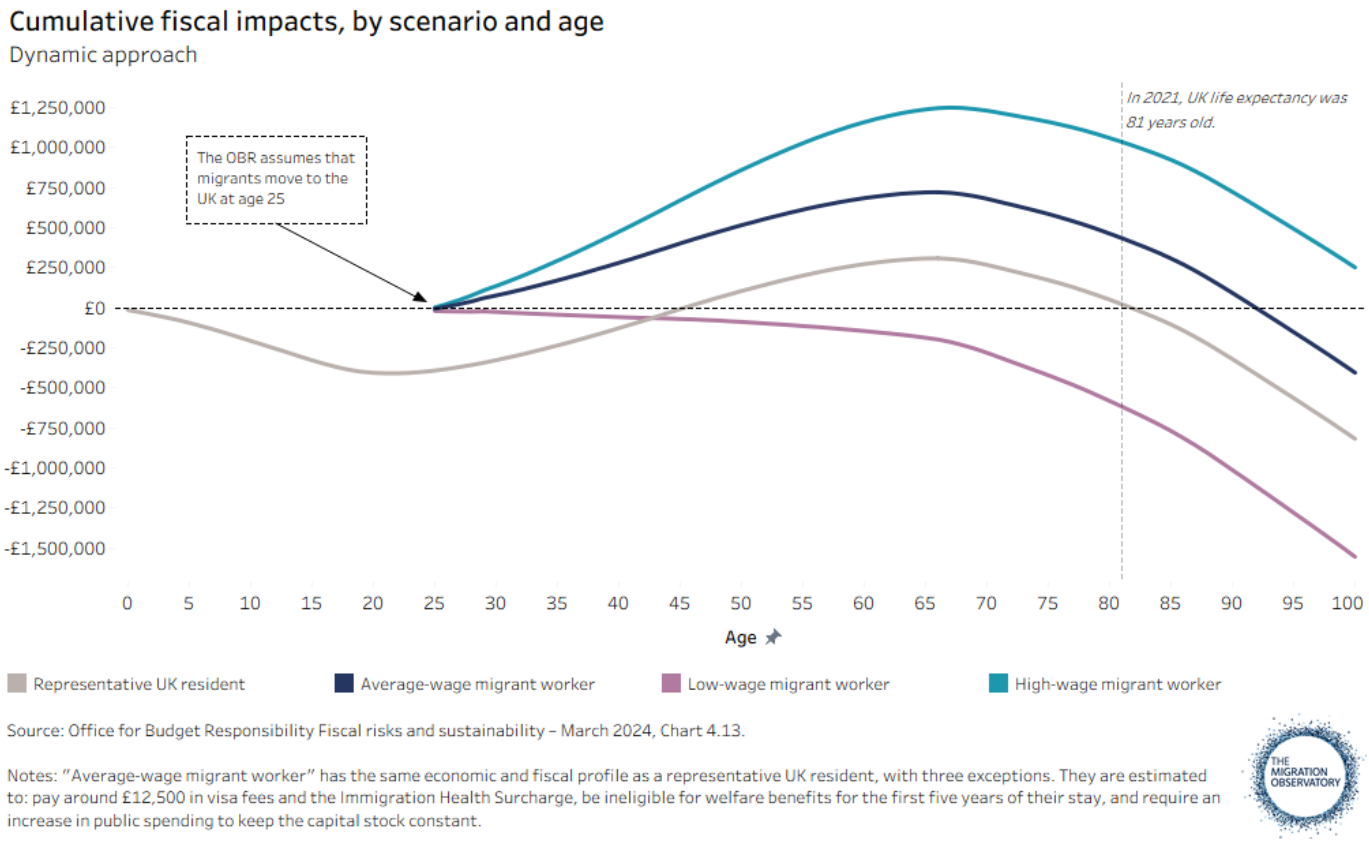
What drives migrants' net fiscal impact?

Whether migrants are employed and how much they earn greatly affects their estimated net fiscal contribution. The OECD compared estimates of net contributions to the tax and benefits system across 25 OECD countries over a 13-year period from 2006 to 2018, and found that the age of migrants (specifically, being of prime working age, i.e., 25-54) was the single most important factor explaining differences in their net fiscal contributions compared to the native-born population. A key reason for this was that migrants in this age group were most likely to be working.

The OECD also found that migrants' skill level was likely to be one of the main determinants of their fiscal impact, because migrants working in high-skilled, highly-paid jobs pay more taxes, on average, than migrants in low-wage jobs.

In 2024, the Office for Budget Responsibility (OBR) projected hypothetical migrants' lifetime fiscal impact, and also found that earnings are a crucial factor (Figure 1). They found that a migrant arriving at age 25 and earning the UK average earnings has a more positive lifetime fiscal contribution than a UK-born worker on the same salary, because the UK does not pay the cost of education and other public services they received during childhood. However, they found that low-wage workers had a negative lifetime fiscal impact, while high-wage workers had a positive one.

Figure 1



Source: Office for Budget Responsibility Fiscal risks and sustainability – March 2024, Chart 4.13.

Notes: "Average-wage migrant worker" has the same economic and fiscal profile as a representative UK resident, with three exceptions. They are estimated to: pay around £12,500 in visa fees and the Immigration Health Surcharge, be ineligible for welfare benefits for the first five years of their stay, and require an increase in public spending to keep the capital stock constant.

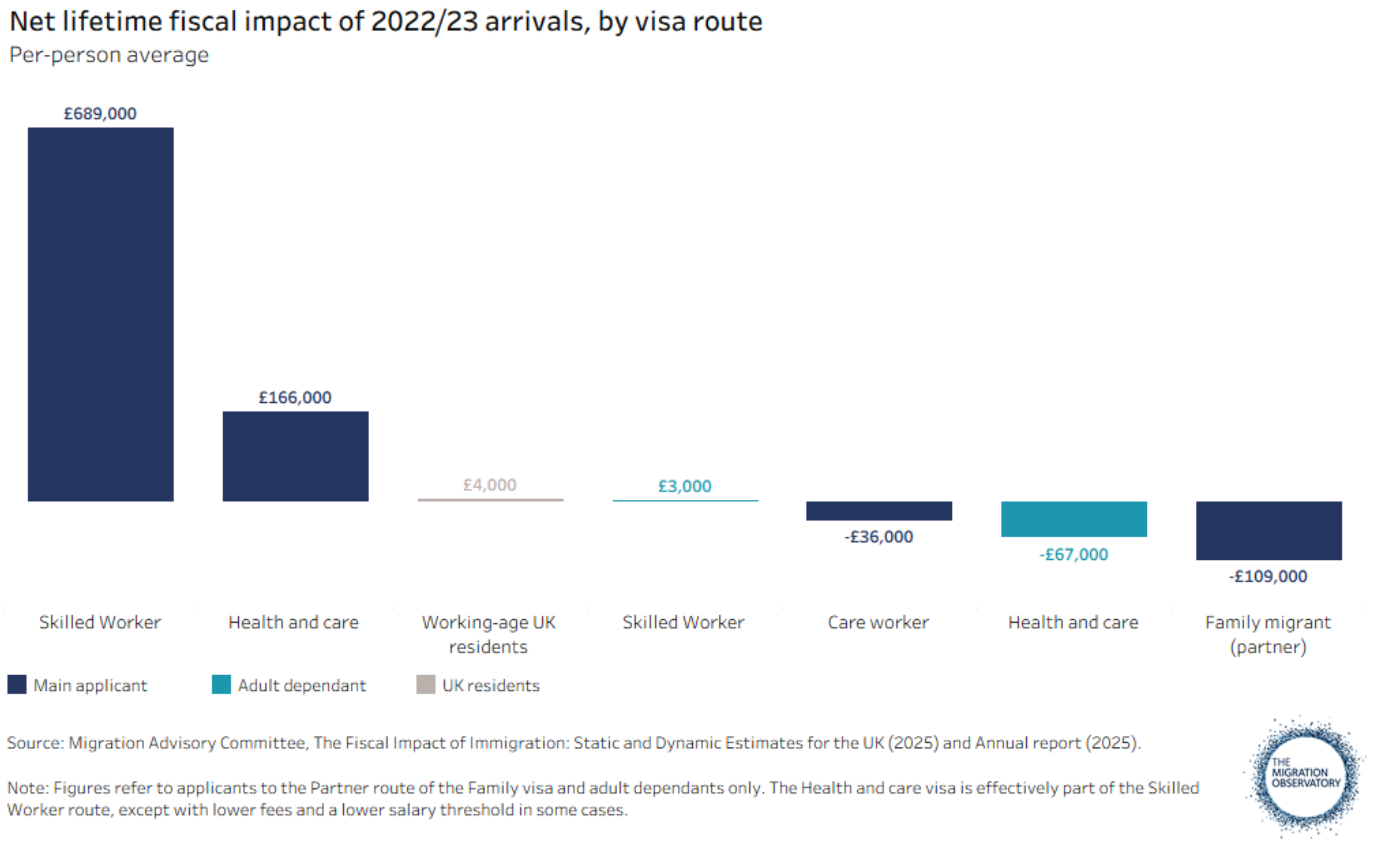
Because children incur higher levels of public spending, migrant households with dependent children need to earn more to make a net positive fiscal contribution. In a series of stylised calculations for different illustrative household types, Oxford Economics (2018) found that a single 20-year old with no children only needed to earn just over £10,000 per year to 'break even' from a fiscal perspective, while a couple with two children—who incur much greater expenditure on health and education—would not become net fiscal contributors until they earned around £45,000.

How do fiscal impacts vary by immigration route?

There is no single 'correct' estimate of migrants' fiscal impact. Different studies make different assumptions, and not everyone will agree on what the best assumptions to make are (see the Understanding the Evidence section, above).

In 2025, the Migration Advisory Committee (MAC) estimated the lifetime fiscal impacts of migrants who entered the UK in the year ending March 2023 on different visa routes. The MAC estimated that, on average, main applicants on Skilled Worker visas (i.e., in non-health and care jobs) and the Health and Care visa would make a positive contribution to the public finances, while care workers, Health and Care dependants, and the partners of British citizens have a net negative lifetime fiscal impact (Figure 2). By way of comparison, working-age Brits were estimated to make a marginally positive contribution of £4,000.

Figure 2



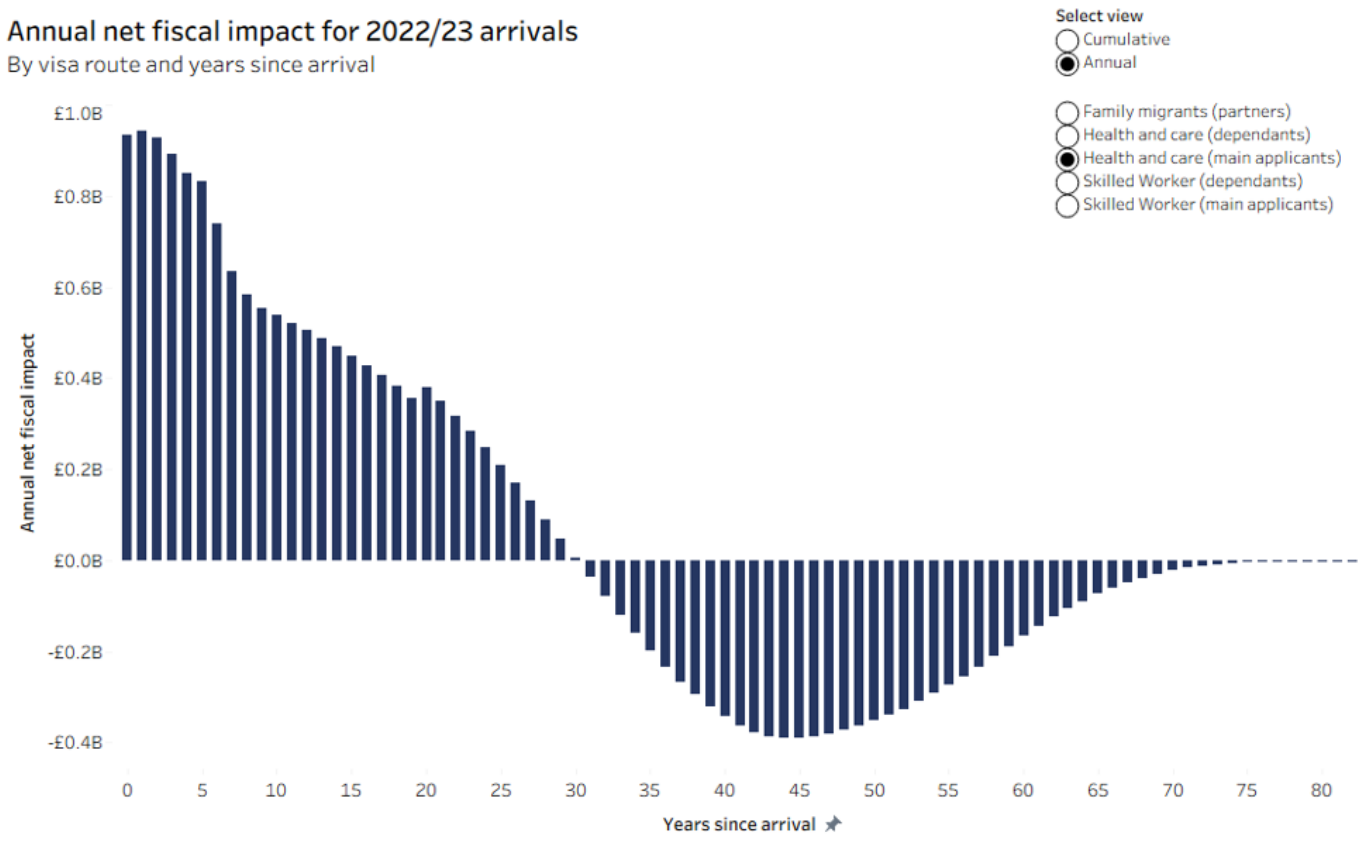
Source: Migration Advisory Committee, The Fiscal Impact of Immigration: Static and Dynamic Estimates for the UK (2025) and Annual report (2025).

Note: Figures refer to applicants to the Partner route of the Family visa and adult dependants only. The Health and care visa is effectively part of the Skilled Worker route, except with lower fees and a lower salary threshold in some cases.

These differences in lifetime net fiscal impacts by route can be explained in large part by differences in earnings. A May 2025 Home Office analysis found that, in the 2023/24 financial year, the median earnings of Skilled Workers were £56,600, while Health and Care workers earned £30,900. The partners of Skilled Workers and Health and care workers, by contrast, had lower median earnings (£30,200 and £22,100, respectively), and people granted family visas had the lowest median earnings (£20,200).

Figure 3 shows the *overall* net fiscal impact for each route by years since arrival and highlights how the picture changes over time. For example, the MAC expects Health and Care main applicants to have a net positive impact for each of their first 30 years in the UK, although this contribution declines over time as some leave the workforce (e.g., because they emigrate, exit employment, or retire). After 30 years, however, health and care workers are estimated to become a net fiscal cost. This reflects the fact that, as the cohort ages, people contribute less in taxation through earnings but incur greater public spending, particularly through the state pension and healthcare services.

Figure 3



Source: Migration Advisory Committee, The Fiscal Impact of Immigration: Static and Dynamic Estimates for the UK (2025) and Annual report (2025).

Note: Figures refer to applicants to the Partner route of the Family visa and adult dependants only. The Health and care visa is effectively part of the Skilled Worker route, except with lower fees and a lower salary threshold in some cases.

At the time of writing, the MAC has not yet evaluated the net lifetime fiscal impact of all migration routes. It has not assessed the impact of refugees, for example, a group that is likely to affect the public finances more negatively than the groups discussed above because they have lower employment rates and often require more support from the state.

What is the overall fiscal impact of migration?

While there are no fiscal analyses covering the entire post-Brexit immigration system, several cover the entire pre-Brexit system. This research uses the static approach to assess the net fiscal impact of migrants in the UK—that is, it takes a snapshot at a single point in time. Note that these studies are not directly comparable to the 'dynamic' post-Brexit studies discussed in the previous section, which only examine certain groups.
Table 1 summarises the results of these static studies. Despite differences in methods, some key points emerge consistently. First, in all cases, the impacts were found to be less than +1% or -1% of GDP. Second, recent migrants made a more positive impact than those who had been in the UK for longer. This is to be expected given that people cost the state more as they age and retire. Third, EEA migrants had a more positive impact than non-EEA.

Table 1: Different estimates of the fiscal effects of immigration to the Uk, in £ billions (with annual average)

	All migrants and UK Born			Recent migrants only	
	EEA	Non-EEA	UK born	EEA	Non-EEA
Oxford Economics (2018)					
FY 2016/17 (1 year)	+£4.7b	-£9.0b	-£41.4b		
Migration Watch (2016)					
FY 2014/15 (1 year)	-£1.1b	-£15.6b	-£87.8b	£0.0	-£6.2b
Dustmann and Frattini (2014)					
1995-2011 (17 years)	+£4.4b (+£259m pa)	-£118b (-£6.9b pa)	-£591b (-£34.8b pa)		
2001-2011 (12 years)			-£617b (-£51.4b pa)	+£20.2b (+£1.68b pa)	+£5.2b (+£0.43b pa)
2001-2011 (A10) (12 years)				+£4.9b (+£0.41b pa)	
2001-2011 (Rest of EEA) (12 years)				+£15.3b (+£1.28b pa)	
Rowthorn (2014)					
2001-2011 (12 years)				-£0.3b (-£25m pa)	-£29.7b (-£2.48b pa)
Migration Watch (2014)					
1995-2011 (17 years)	-£13.6b (-£0.8b pa)	-£134.9b (-£7.94b pa)	-£565b (-£33.2b pa)		
2001-2011 (12 years)	-£13.4b (-£1.12b pa)	-£116.8b (-£9.73b pa)	-£586b (-£48.8b pa)	-£0.25b (-£20.8m pa)	-£27.17b (-£2.26b pa)
Dustmann and Frattini (2013)					
1995-2011 (17 years)	+£8.8b (+£0.52b pa)	-£104.1b (-£6.12b pa)	-£605b (-£50.4b pa)		
2001-2011 (12 years)	+£9.0b (+£748m pa)	-£86.8b (-£7.23b pa)	-£624b (-£52b pa)	+£22.1b (+£1.84b pa)	+£2.9b (+£242m pa)

Source: Migration Observatory analysis of various studies (see References for citations)

One of the main reasons non-EEA migrants were consistently found to make a negative net fiscal contribution is because they were more likely to have dependent children, leading to higher spending on education and increased family benefit and tax credit payments. These static estimates do not account for the fact that the fiscal costs of educating migrant children may later be offset when those children reach adulthood, enter the labour market, and pay taxes.

The fiscal impact estimates produced by studies also depend on the time period considered, because the composition of migrant inflows and the way the immigration system is managed changes over time. For example, the 2004 EU accession led to a sharp increase in migration among young migrants entering employment – albeit often into lower-paid roles – a profile that would generally be expected to lead to more favourable fiscal outcomes.

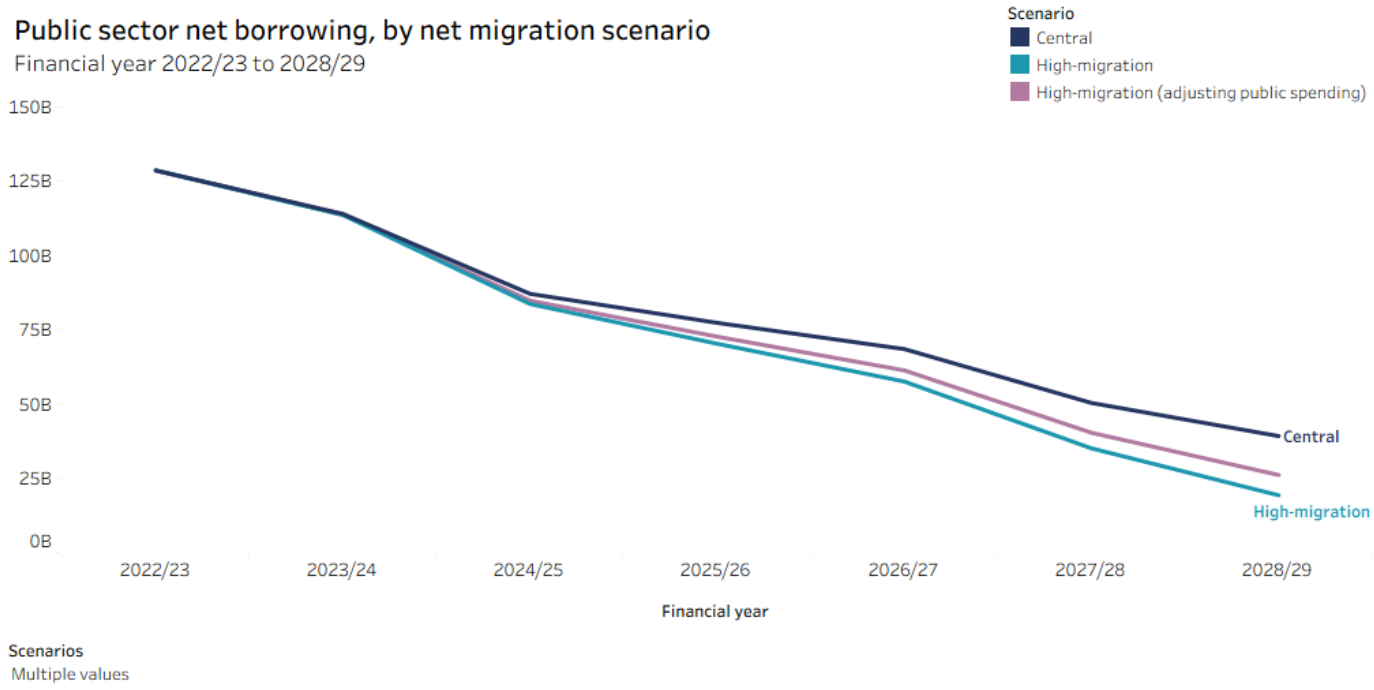
How does migration affect government borrowing and debt?

Office for Budget Responsibility (OBR) forecasts have generally estimated that higher net migration leads to lower deficits and debt, although not enough to fundamentally change the UK's fiscal outlook. In 2023, for example, it projected that by 2072/73 the primary budget deficit (i.e. excluding interest payments on debt) would be 1.1% of GDP lower in a scenario where annual net migration was 245,000 rather than 129,000. It projected that higher net migration would reduce debt as a share of GDP by 30 percentage points by 2072/73, but would not prevent debt from rising from around 100 to 300 percent of GDP. One of the key drivers behind this result is that incoming migrants are more likely to be of working age than the population in general and therefore are more likely to be working and contributing to public finances.

The OBR projections do not consider more recent costs of managing the UK immigration system, such as the asylum backlog. In addition, OBR noted in an earlier analysis, from 2013, that over an even longer time horizon these migrants would also retire and add to age-related spending pressures. It concluded that "higher migration could be seen as delaying some of the fiscal challenges of an ageing population rather than a way of resolving them permanently".

The OBR also produces short-term forecasts. In 2024, it forecast how different scenarios of net migration would affect net government borrowing over a short (5-year) period, between the financial years 2024/25 and 2028/29 (Figure 4). The OBR forecasted that higher net migration would lead to a net reduction in borrowing over the five-year period, although some of this reduction resulted from the fact government spending plans did not envisage increasing spending more on public services to reflect the higher population. Short-term forecasts like these are particularly likely to find a positive impact from migration, because they do not account for the costs that come later as migrants age.

Figure 4



Source: Office for Budget Responsibility Economic and fiscal outlook – March 2024, Chart H.

Notes: Central scenario assumes average net migration of 350,000 per year between 2022/23 and 2028/29, and high- and low-migration scenarios assume net migration is 200,000 a year higher or lower. "Adjusting public spending" refers to a scenario where the government responds to net migration by keeping departmental spending per person unchanged. These scenarios are highly uncertain and are sensitive to assumptions around the composition of migrants.

The OBR noted that if the government adjusted spending on public services to reflect the size of the population in the high-migration scenario, it would require an additional £6.1 billion of spending in 2028/29. In other words, the higher tax revenues generated by the additional migrants would be partly offset by higher spending on public services.

Note that OBR analysis on the impacts of higher or lower migration does not take into account changes in *who* is migrating—as discussed above, the composition of migration is crucially important to the fiscal impacts.

Evidence gaps and limitations

Estimates of the fiscal effects of immigration have many limitations. For example, the data used to estimate migrants' earnings are often limited. The studies reviewed in this briefing often rely on the Labour Force Survey (LFS) to identify the characteristics of migrants, and this dataset has many limitations.

In addition, there is almost no data on migrants' use of public services such as healthcare. As a result, most studies simply assume that the cost of public services for migrants is the same as the cost for a UK-born person of the same age and sex. Yet migrants have different characteristics from UK-born individuals and as such may use public services differently. For instance, migrants may use services such as translation services in schools and hospitals that are not typically used by the local population. On the other hand, there is also evidence that migrants tend to be healthier than the local population, at least initially. One difficulty in addressing this point is that there is no systematic collection of the user's migration status at the point of delivery of many public services.

Some migrants deliver public services as well as using them. It may be possible to deliver services in the public sector at a lower cost because of the availability of migrant workers. However, it is very difficult to quantify these contributions, as doing so would require strong assumptions about how public services would have been staffed in the absence of migration.

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The Migration Observatory

Based at the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford, the Migration Observatory provides independent, authoritative, evidence-based analysis of data on migration and migrants in the UK, to inform media, public and policy debates, and to generate high quality research on international migration and public policy issues. The Observatory's analysis involves experts from a wide range of disciplines and departments at the University of Oxford.

COMPAS

The Migration Observatory is based at the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford. The mission of COMPAS is to conduct high quality research in order to develop theory and knowledge, inform policy-making and public debate, and engage users of research within the field of migration. www.compas.ox.ac.uk

About the authors

Carlos Vargas-Silva
Professor in Migration Studies,
The Centre on Migration, Policy & Society

Madeleine Sumption
Director,
The Migration Observatory

Ben Brindle
Researcher,
The Migration Observatory

Press contact

Rob McNeil
Head of Media and Communications
robert.mcneil@compas.ox.ac.uk
+ 44 (0)1865 274568
+ 44 (0)7500 970081

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