

THE IMPACT OF REGULARISATION

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ACKNOWLEDGEMENTS

The authors are grateful to the Citizens UK team for their support in preparation of this report; to volunteers from Citizens UK and its partner organisations for their role in interviewing survey participants; and most of all to those who participated in the survey. We are also grateful to the Citizens UK team and others for helpful comments on the draft.

We would like to thank and acknowledge the following people and organisations:

- Elsie Mumah, Associate Organiser, Citizens UK
- Froilan 'Froi' Legaspi, Senior Organiser, Citizens UK
- Paulina Tamborrel Signoret, Senior Organiser, Citizens UK
- Austin Oshegbu, Associate Organiser, Citizens UK
- James Blatchley-Asfa, Assistant Director, Citizens UK
- Luljeta Nuzi, CEO, Shpresa Programme
- Averil Pooten Watan, St Barnabas Church, Igorot UK Charity
- Jocelyne N'guessan, Community Outreach Coordinator, On The Rock International Ministries
- Diana Majeed, Student, Queen Mary University of London
- Lameya Ali, Student, Queen Mary University of London
- Nathalie, Citizens UK
- Titus Nwachukwu, St Thomas of Canterbury Woodford
- Kenan Alberkdar, Life Seekers Aid
- Creating Ground
- Divine Assembly Ministries
- On The Rock International Ministries
- Parents and Communities Together (PACT)
- Queen Mary University of London, School of Politics and International Relations
- South London Refugee Association (SLRA)
- Shpresa Programme
- Surrey Square Primary School

As well as all those who helped to make this research project possible.

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EXECUTIVE SUMMARY

While immigration is a controversial topic politically, there is general consensus in the UK that legal, regulated migration is economically and socially beneficial. In setting out its plans for the new post-Brexit migration system, the Government said “immigration has made huge contributions to our society, culture and economy - enriching communities, bringing new perspectives, stimulating growth and making us the outward-looking nation we are today” (Home Office, 2018). Similarly, public opinion in the UK is more positive about immigration than in most other European countries, and has become considerably more so in recent decades (Rolfe et al., 2021).

However, regulating and facilitating legal migration flows means, inevitably, the existence of a population of irregular migrants, since those entering via this system do not, typically, immediately acquire the right to remain permanently. Some will stay for longer than permitted; others will violate the conditions under which they were allowed to enter, or otherwise fall out of compliance with the system, and so on. Others will enter by irregular means. Of these, some will claim asylum; asylum-seekers are not irregular while their claims are considered, but if their claims are denied and they do not subsequently leave the country, they will become so.

In principle, irregular migrants have no legal right to remain in the UK. But that does not mean that they will leave or be removed. For some, this will be impossible, since conditions in their countries of origin will not permit them to return. For others, they may have established family relationships here

that mean that it would be inhumane or illegal (under human rights law) to require them to leave.

It is clearly undesirable that substantial numbers of people should be resident in the UK while having no legal right to be here. One possible policy option to address this issue is to regularise the status of irregular migrants by granting them regular status, either permanent or temporary, and subject to a number of conditions. This would have a broad range of impacts on those affected by it, in particular by improving their access to employment and public services; this in turn would have implications for tax, spending and demand on public services. The broader arguments for such a proposal and how it might be structured are set out in, for example, Gardner and Patel (2021).

Previous research on this topic has examined the potential economic implications of such proposals, in particular the impact on earnings, employment, tax revenues, and expenditure on public services, suggesting that the net impacts would be broadly positive (Gordon et al, 2009). However, in the absence of reliable data, some of the assumptions on which these conclusions were based were inevitably speculative. The objective of this paper is to develop and extend the evidence base underlying these assumptions by examining in detail the circumstances of a sample of irregular migrants in the UK, some of whom have now obtained regular status.

While our sample is relatively small, it is also relatively rich on the diverse immigration, work, employment and benefit histories of individual migrants over time, and provides new evidence on the potential impact of such a programme of regularisation on key economic and social outcomes – both for individual migrants and for the UK as a whole. In particular, we aim to assess the extent to which regularisation facilitates or hinders a number of such outcomes:

- **Employment participation:** to what extent does regularisation increase (or decrease) migrants' participation in the labour market, formal or informal? For those who are employed, how does it impact on other dimensions of labour market outcomes (earnings and wages; working conditions, etc).
- **Tax payments:** to what extent does regularisation impact on tax revenues, in particular via its impact on labour market participation and outcomes, and on compliance with tax rules?
- **Access to and use of the benefit system:** to what extent does regularisation increase (or decrease) access to social security benefit payments, and hence impact on public expenditure?
- **Access and use of other public services:** to what extent does regularisation increase or decrease the use of key public services, in particular health, education and social housing?

Our key findings are that there are very clear impacts from the loss of regular status and its reacquisition, with loss of status often leading to loss of employment or a move to the informal sector, while the acquisition of status is associated with the reverse.

Quantitative estimates based on our findings must be treated with caution and regarded as indicative at most. Nevertheless, they suggest that regularisation might be expected to increase direct tax revenues by perhaps £2,015 per person regularised, with a further significant increase in tax revenues resulting from extra indirect tax on the resulting extra spending. We also estimate possible increases in spending on welfare benefits of perhaps £1,400 per person regularised, although there may be some offsetting indirect savings.

We do not estimate the impact on education or NHS spending, since we can find little evidence that such costs would be material. There would also be wider economic benefits since regularisation would increase labour supply and per-capita GDP, improving the functioning of the labour market by allowing those regularised to be better matched to jobs suited to their skills and qualifications.

Overall, our findings are consistent with direct evidence from quantitative studies in other countries that regularisation would likely, on average, result in significant (albeit not huge) economic and fiscal benefits; and helps substantiate assumptions made in previous such studies for the UK which reached similar conclusions. They are also consistent with the findings of other qualitative studies, for example Gardner and Patel (2021).

IRREGULAR POPULATION IN THE UK



DEFINITION

There is no clear definition of an “illegal” or “irregular” migrant in the UK [1]. However, it is important to make two points. First, contrary to some popular perceptions, irregular migration does not simply result from illegal (or undetected) entry to the country; in fact, most estimates, and our sample, suggest that only a minority of irregular migrants entered illegally. Rather, most became irregular after entering legally or after claiming asylum on entry. Second, many people “drift” into irregularity after a period of legal residence, rather than choosing to become irregular. Indeed, the complexities of the immigration system means that immigrants can sometimes be unaware of how or when they’ve lost status. Broadly, there are four categories of irregular migrants (Migration Observatory, 2020):

- Illegal or irregular entry: entering the UK irregularly or through deception, such as using forged documents or lying about the purpose of entry.
- Entering legally, with a visa or permission to enter, but overstaying the period of the visa or permission, or violating the conditions under which it was granted (for example by working when it is not permitted, or some criminal convictions).
- Rejected asylum claims: not leaving the country after an asylum application (and any relevant appeals) has been rejected. Note that those claiming asylum are not irregular migrants while their claim, and any possible appeals, are being considered.
- Being born in the UK, and not having obtained citizenship, either because the child is not entitled to it (for example, if her/his parents are themselves irregular migrants) or because his/her parents did not apply for it in the appropriate period (if they are foreign nationals). The law here is complex, and of course, such children are not “migrants”; however, they may still not be legally resident.

Of course, there may be some overlap here, and this is very much the case for our sample. For example, someone may enter legally, overstay their visa and become irregular, then claim asylum and become regular while their claim is considered, and then become irregular again if their claim is rejected.

[1] We do not use the term “illegal migrants” or “illegal migration.” Some migrants may have entered the country by illegal means; others have not. We use the term “irregular”, or more precisely, migrants without [regular] “status”, meaning those present in the UK who do not have a current citizenship, visa status or other form of permission that entitles them to be here.

2

ESTIMATES

Trying to estimate the number of irregular migrants in a country is complex. This is particularly the case in the UK, which is a global hub for business, travel and tourism, does not record all those entering or leaving the country and has no official population register. This means that the only time at which the UK “counts” all residents is at the decennial Census.

Most estimates of the irregular population in the UK therefore use some version of the “residual” method; that is, accepting the Census estimates as wholly or mostly valid, and comparing the foreign-born population found in the Census with the number of migrants who are resident here legally; the difference then is an estimate of the irregular population. Such estimates are, however, unreliable for a number of reasons; the Census does not, in practice, count everyone – the characteristics of households that do not respond are imputed from those that do – and data on the number of migrants with legal residence needs to be compiled from a variety of sources that are not necessarily either entirely reliable or compatible. And since the estimate is indeed a “residual” – that is the difference between two large numbers, each estimated with error – relatively small percentage errors in the source data can produce large percentage errors in the result. These errors are also likely to grow as the last Census becomes more distant.

The most recent estimates were produced by the Pew Research Center (Connor and Passel, 2019) and Greater London Authority (Jolly et al., 2020). These were based on the residual method, with Pew producing an estimated range for 2017 of 800,000 to 1,200,000, and the GLA report providing a central estimate of 674,000 as at April 2017 (though this excludes the UK-born children of irregular migrants; if these are included the figure is 809,000). The Pew estimate is seriously flawed, and is not regarded as credible by UK-based experts (Duvell, 2020). The GLA estimate appears to be a credible implementation of the residual method and should probably be regarded as the most credible quantitative estimate currently available, but, for the reasons set out above, is subject to considerable uncertainties.

The GLA estimate predates Brexit and therefore excludes EU nationals; in principle, some EU-origin migrants who have not acquired settled status will now be irregular. On the other hand, approximately 400,000 non-EU citizens have acquired settled or pre-settled status by virtue of their relationship with an EU national (EU Settlement Scheme Quarterly Statistics, 2022). Some of these will previously have been irregular. Other recent developments include a higher acceptance rate for claims of refugee status, and longer delays in processing claims (during which time claimants are not irregular).

There is also some evidence of increasing rates of citizenship acquisition among non-EU/UK nationals resident in the UK; while net migration means that the number of the non-UK/EU or born has risen by about 1 million in the last decade, the number of non-UK/EU citizens has only increased by just over 100,000, to about 2.6 million (Office for National Statistics, 2022). While this cannot be translated directly into an estimate of irregular migration, this trend is unlikely to be consistent with sharp growth in the irregular population.

Overall, the GLA estimates may therefore, if anything, be an upper limit on the irregular population; they would imply that more than 1 in 4 non-UK/EU nationals currently resident in the UK has irregular status. This seems implausible. The Census 2021 results, to be published from June 2022, may enable these estimates to be updated.

Literature Review

LITERATURE REVIEW

Contrary to public perception, the UK has conducted a number of de facto regularisation exercises in the recent past. Most notably, the discovery by the Home Office of a large backlog of over 500,000 unresolved (and in many cases, unprocessed) asylum and other migration cases in the mid-2000s led to the establishment of the “Case Resolution Directorate” in the Home Office. While the statistics are hard to interpret, with many cases being duplicates, errors or simply untraceable, it seem likely that at least 170,000 people were granted Indefinite Leave to Remain (Vine, 2012).

In addition, while it is not a formal regularisation programme, the Home Office frequently exercises its discretion to regularise the status of migrants who have been resident in the UK for an extended period, sometimes referred to as the 14 or 20 year rule, although in practice there is quite a lot of flexibility (Right to Remain, 2022). The number of people who are regularised under the rule, or other discretionary means, is not published, but is likely to be some thousands annually.

However, since little or no data is collected by the Home Office on the circumstances or subsequent outcomes of those who were regularised, there are no published studies on the impact of these exercises. By contrast, in some other countries, there is a considerable literature on the impact of regularisation. In particular, and most relevant to the UK there have been a number of quantitative studies on the impact of regularisation exercises in the US, Italy, and Spain.

1 In Spain, Monras et al found that regularisation increased payroll tax revenues considerably, as workers entered the formal labour market (Monras et al., 2020).

2 In Italy, Martino et al (2019) found that regularisation led to short-term increases in employment at the firm level, but this dissipated as regularised workers became more mobile. They speculate that this is likely to have increased tax revenues, but do not provide any formal estimates (Martino et al., 2019). Looking at the longer-term impacts of regularisation, Deiana et al (2022) found that those eligible for an amnesty in 2002 were, ten years later, much more likely to be in formal employment, as well as showing more positive outcomes on broader measures of integration such as Italian language fluency.

3 In the US, a number of studies found wage (but typically not employment) increases ranging from 6% to 20% resulting from regularisation (Papademetriou et al., 2004). As in European studies, regularisation increased labour mobility, with 70% reporting changing occupations again after regularization (Kossoudji & Cobb-Clark, 2000).

Overall, a review of the literature (again, based largely on experience in the US, Spain and Italy) concludes that regularisation generally increases wages and reduces exploitation. The wage impacts are driven not just by the direct effect of acquiring legal status at a point in time, but also by increasing mobility, both between firms and occupational mobility. However, overall impacts on employment levels are unclear, and are likely to depend both on the labour market context and the details of the regularisation programme. Gains are largest when there are few restrictions on post regularization mobility and work behaviour (Kossoudji, 2016).

One objection often raised to regularisation programmes is the “pull factor”; that is, while such programmes may have beneficial outcomes in the short run, they will also incentivise future irregular migration because it will be expected that they will be repeated. But there is little evidence to support this view. Most research on this topic focuses on the aftermath of the 1986 regularisation programme in the US; the most recent credible study did not find any evidence that it increased subsequent irregular migration (Orrenius & Zavodny, 2003). Similarly, in the EU, a review of the experience following regularisation programmes in the EU came to similar conclusions (Baldwin-Edwards & Kraler, 2009). It seems likely that, as elsewhere in Europe, irregular migration to the UK is driven by a variety of factors, including both economic conditions and other factors, in particular political developments in countries with close historical connections to the UK, and that a regularisation programme would have at most a marginal impact.

There is far less research, and less consensus, on the overall impact of regularisation on access to, and consumption of, public services and consequent impacts for overall public spending. This is not surprising, since such impacts are likely to be highly time and context specific, depending on both the legal and regulatory framework in place and the nature and stringency of enforcement mechanisms.

THE GREATER LONDON AUTHORITY STUDY

The most thorough investigation into the potential impact of regularisation on the UK economy was that undertaken for the Greater London Authority (Gordon et al, 2009). Its key conclusions were the following:

1

Regularisation would increase both employment and earnings among those regularised. Based on secondary analysis, it assumed that employment rates would increase by six percentage points and earnings by 25 per cent.

2

This would in turn increase tax revenue, both because of the increase in earnings and employment, and because those regularised would be more likely to be employed in the formal sector. This was forecast to add the equivalent of 15 per cent of weekly earnings to the tax/insurance take.

3

Regularisation would also increase spending on public services and benefits, although for most services the impact would be minimal, for two reasons: first, because for some public services, especially GP services and compulsory education, irregular migrants already had access; second, for other public services, in particularly the benefit system, regularised migrants would not have immediate access.

4

However, costs would increase over time; the major long-term costs relate to welfare benefits, including child benefit, social security and housing benefit.

As the study recognises, these estimates were very uncertain, best viewed as “illustrative” because of both data limitations and because the impact of regularisation would depend on the specification of the regularisation programme itself, as well as the broader policy environment.

METHODOLOGY

METHODOLOGY

The objective of our research, as set out above, was to estimate the impact of regularisation on irregular migrants' economic activities: in particular, on their propensity to work; if working, whether they or their employers pay tax or National Insurance; and on their (and their households') access to and use of public services and the benefit system. In particular, we wanted to update and extend the conclusions of the GLA survey described above. However, for the reasons noted above, it was not feasible to conduct a large-scale random probability survey; and, in any case, even such a study would have found it hard to identify the causal impact of regularisation.

We therefore proceeded as follows. Working with Citizens UK, a charity which works with undocumented migrants, we administered a detailed questionnaire to 100 migrants, covering topics related to migration status, earnings, employment, use of the benefit system, and use of public services.

Interviews were conducted by Citizens UK personnel and volunteers, over the period June 2021 to March 2022, via a mix of in-person interview, Zoom and telephone calls. Recruitment was via Citizens UK and affiliated organisations. Our objective was to secure a sample that was roughly balanced between migrants whose current status was irregular, and those who had been irregular in the past but had at some point obtained status. We also sought to ensure a reasonable level of diversity, particularly by country of origin.

The sample is not a random probability sample of the irregular migrant population, since no viable sample frame exists. The main source of bias in our sample is likely to be the recruitment method: irregular migrants who have contact with Citizens UK, even indirectly, may not be representative of the irregular migrant population as a whole.

Nevertheless, the table below shows that our sample was quite diverse, by national origin, education level, and family type. The only countries that stand out as having a potentially unusual level of representation are Nigeria and Albania, accounting for about a third and a sixth of our sample. This is likely to reflect the sample collection mode (via Citizens UK's partner organisations in various migrant communities.)

Anecdotal evidence suggests that these countries of origin are indeed relatively well represented in the irregular population, but it is plausible that they are somewhat overrepresented in our sample.

Table 1. Demographic Table of Participant Population

	Regularised	Irregular status	Status Unclear	Total
Age range				
18-29	5	7	0	12
30-49	22	23	3	48
50-64	9	13	0	22
64+	2	3	0	5
Not specified	8	4	1	13
Number of children				
0	6	19	1	26
1	17	7	1	25
2	9	13	0	22
3	10	6	2	18
4+	4	5	0	9
Education Level				
Did not finish secondary school	1	7	0	8
Finished secondary school, no further education	11	13	2	26
Finished college but did not go to University	1	0	0	1
Vocational or other post-school training, no degree	5	15	0	20
University degree	20	11	2	33
Advanced professional training (post grad degree or professional qualification)	8	4	0	12
Country of Birth				
Albania	5	7	4	16
Angola	1	1	0	2
Bangladesh	1	2	0	3
Bolivia	0	1	0	1
Botswana	1	0	0	1
Cameroon	2	0	0	2
Colombia	1	0	0	1
Cuba	1	0	0	1
Ghana	1	1	0	2
India	1	0	0	1
Iran	0	1	0	1
Iraq	1	5	0	6
Ivory Coast	2	0	0	2
Jamaica	0	3	0	3
Kosovo	2	0	0	2
Kuwait	0	1	0	1
Mexico	1	0	0	1
Nigeria	14	18	0	32
Pakistan	1	0	0	1
Philippines	3	4	0	7
Saudi Arabia	1	0	0	1
Sierra Leone	2	0	0	2
South Africa	1	2	0	3
Trinidad	0	1	0	1
Uganda	1	0	0	1
Zimbabwe	3	3	0	6

FINDINGS

We discuss our findings under the following headings:

a The immigration "journey"

b Employment and tax status

c Education and earnings

d Benefits and public service

e Education and health



THE IMMIGRATION "JOURNEY"

Table 2. Type of entry into the UK

Form of entry into the UK	Immigration Status			Total
	Regularised	Irregular status	Status Unclear	
Dependent visa	1	1	0	2
Family visa	9	6	0	15
Holiday working visa	0	1	0	1
Illegal passports	1	0	0	1
No visa	7	16	2	25
Refugee status	0	0	1	1
Sponsor visa	1	0	0	1
Student visa	8	7	0	15
Tourist visa	15	15	1	31
Unknown	1	1	0	2
Work visa	3	3	0	6
Total	46	50	4	100

Consistent with the broader evidence that most irregular migrants are “overstayers”, almost half of respondents entered either on a student or tourist visa and then overstayed. Within this group, however, there is considerable diversity in their path to irregularity. For those who fell out of status from a student visa, claims of losing financing/financial support was quoted as a frequent reason for not being able to continue under student visa status. For those who entered on a family visa, typically as a minor or dependent, changes in family circumstances were noted as a key cause: indeed, on three occasions the path to irregularity resulted from a family death. In two of these, the respondent was not aware that they needed to maintain their immigration status.

As noted above, the common image of an irregular migrant as someone who arrives through illegal and irregular means, and thereafter avoids contact with the immigration system and immigration enforcement is relatively rare in our sample. This describes a large fraction of irregular migrants in the US (and perhaps to a lesser extent in some European countries) but not in the UK. Rather, the most common paths to irregularity are those who arrive on a student or tourist visa and overstay; and those who arrive illegally and claim asylum, usually (although this is not entirely clear from many of the responses) not long after arrival, and then have their claims denied.

Within the study's sample, 44 respondents claimed asylum at some point. For many – both those who were eventually granted asylum, and those who were denied and still have irregular status – the process is extremely lengthy and complex. This is both because of the length of time taken to consider applications, the appeal process, and in some cases multiple claims. Some respondents report filing up to 6 asylum claims and appeals.

For those who have obtained regular status, there is considerable diversity in how this was acquired.

Some of those who claimed asylum have subsequently been granted status on appeal, or via one of the "case resolution" exercises mentioned above (effectively, de facto regularisation exercises). For those who overstayed their visas, those regularised have typically been granted status on a discretionary basis, often because of family connections of some sort and – reflecting the way that the sample was selected – sometimes with the advice and support of Citizens UK. For those who have not obtained status as yet, many are those who have had asylum claims rejected in the past but who have nevertheless remained in the UK.

Table 3. Participant asylum claims

Asylum Claim	Immigration Status			Total
	Regularised	Irregular Status	Status Unclear	
No	31	25	0	56
Yes	15	25	4	44
Total	46	50	4	100

b

EMPLOYMENT AND TAX STATUS

The interaction between irregular immigrants and the economy, labour market and the tax system is not straightforward. This is particularly true amongst our participants, who often found themselves with the ability to legally work, fell out of status, and in some instances regained the ability to work thereafter. We have therefore attempted to categorise respondents' employment and tax "journeys"; these are shown in Table 4.

Table 4. Participant Work and Tax Journeys

Work and Taxation Journey	Immigration Status			Total
	Regularised	Irregular Status	Status Unclear	
Began work and paying taxes once regularized	14	0	0	14
History Unclear	4	2	0	6
No work history	12	25	4	41
Stopped working and paying taxes after losing status	1	8	0	9
Work and do not pay taxes without status	0	9	0	7
Work and pay taxes with and without status	2	0	0	2
Work and pay taxes without status	1	3	0	4
Work without paying taxes when irregular and paying taxes once regularized	5	0	0	5
Work without paying taxes while regularized	5	0	0	5
Worked and both paid and didn't pay taxes without status	0	1	0	1
Worked and paid taxes without status	2	2	0	6
Total	46	50	4	100

For those that were able to regularize their status, we see the top category is "Began working and paying taxes once regularized". It is important to note that for this category, participants did not work prior to this when they had irregular status. The other top two categories (excluding those with no work history), is "Work without paying taxes while regularized" and "Work without paying taxes when irregular and paying taxes once regularized". Overall, almost one in five of our sample – 38% of those now regularised - were able to start participating in the economy and paying taxes once they obtained legal status.

On the other hand, we see the top category for those currently without status, is “Stopped working and paying taxes after losing status”. This is closely followed by “Work and do not pay taxes without status.” In other words, there is an employment penalty (and, to a lesser extent, a reduction in the probability of paying taxes) to losing regular status; and there is then an employment gain when regular status is gained (or regained).

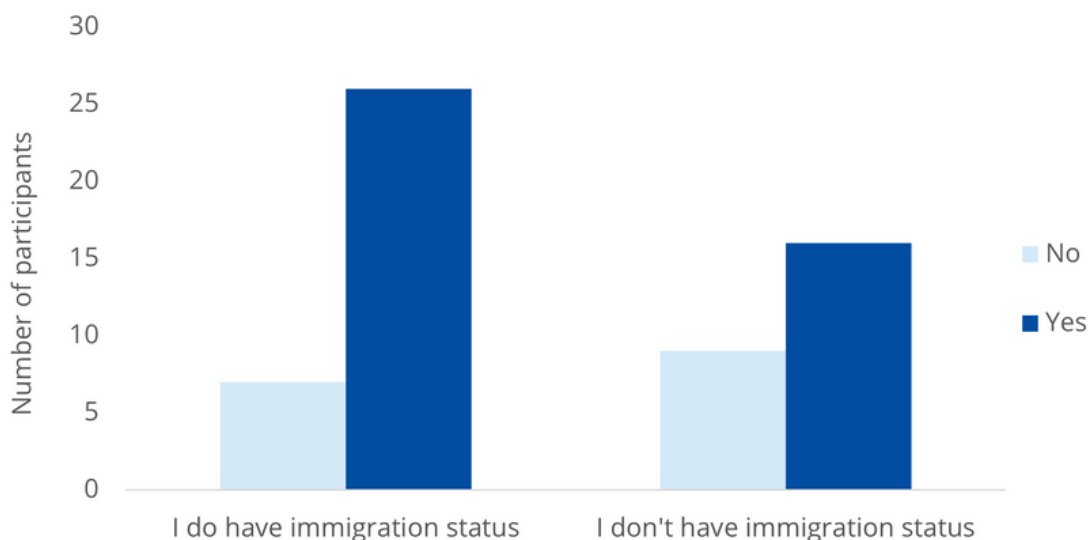
Overall, while the picture is complex, reflecting the diversity of experiences of our sample, our results are consistent with the conclusions of the literature:

- Regularisation increases the likelihood of employment. Those who are regularised are considerably more likely to have worked at some point than those with irregular status. This is not surprising and is consistent with evidence from the quantitative studies undertaken elsewhere. However, particularly notable - and new evidence for the applicability of this broader evidence to the UK - is the number of respondents who reported beginning employment after having been regularised.
- This impact also goes the other way; a number of the sample who previously had status and became irregular left employment.
- The causal nature of this relationship is further corroborated by the occupational split of respondents. Those with irregular status are almost entirely - unsurprisingly - working in jobs where casual, short-term and lightly regulated employment is common (cleaning, food service). However, a significant number of those regularised work in occupations where employers are likely to be observing employment regulations (which generally require employers to establish the worker's right to work), for example healthcare assistant, or the charity sector. Moreover, this effect also goes the other way: it appears that a number of the sample who previously had status and became irregular moved from secure work to the informal sector.
- As well as suggesting a positive impact on employment, this also supports the view that regularisation promotes (upward) occupational mobility among migrants; once regularised they have a greater choice of jobs and sectors, and can find a job which better matches their skills and preferences. This impact is likely to be important, since - contrary to much public perception - irregular migrants are not necessarily less well educated and/or lower skilled. Indeed, the proportion of respondents who have a degree is at least as high as the average for the UK workforce as a whole.
- The greater propensity of regularised respondents to work in the formal sector and to have jobs better matched to their skills would be expected to increase average earnings for those who work. This is apparent in our data, although the responses do not allow us to quantify this impact with any precision.

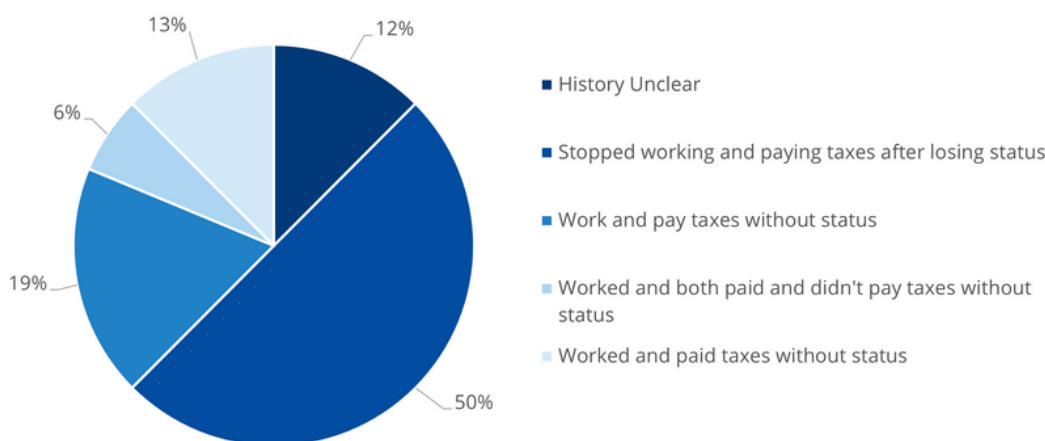
The impact of regularisation on tax payment is also clear in our data. As noted above, regularisation appears to have allowed a large fraction of our sample to move into employment: almost all of these reported paying taxes. In addition, a number of those who were already in work began paying taxes when they were regularised; this is likely in most cases to be because, as noted above, they were able to move to jobs in the formal sector. It is quite rare for those who are now regular and in work not to be paying tax. Meanwhile, while many of those who are irregular stopped working and paying taxes when they lost status, those who work despite their irregular status are split between those who pay tax and those who do not.

However, there is not a one-to-one correspondence between status and tax payment: several of our sample worked and paid taxes despite not having status, consistent with the US evidence, where estimates suggest that at least 50% of the undocumented population file tax returns and even more have taxes deducted from their pay checks (Gee et al, 2016).

Graph 1. Confirmation of tax payment



Graph 2. Work Journeys for irregular migrants that have confirmed tax payment



C

EDUCATION AND EARNINGS

As noted above, there is considerable international evidence suggesting that regularisation promotes occupational mobility, and our data appears to be consistent with this, with respondents with regular status being more likely to work in formal sector jobs and, in some cases, jobs more appropriate to their qualifications. Given the relatively high level of qualifications of a large part of the sample, this suggests that regularisation has the potential to increase earnings, in some cases considerably. Our data provides tentative support for this hypothesis, although interpretation is not trivial, given the complexity of the work and immigration journeys of respondents. Nevertheless, there are some trends we can see.

Table 5 shows a moderate increase in wages after gaining status. The majority of participants who declared income subsequent to gaining status earned more than £20K, while the majority of those without status earned less than £20K.

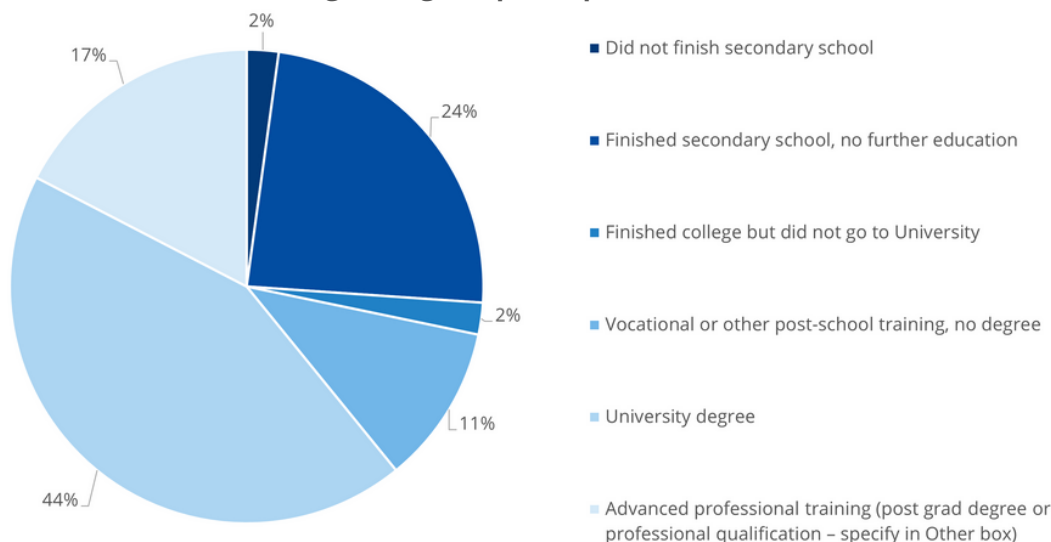
Table 5. Earnings demonstrating status during declared income

	Regularised					Irregular Status				
	<10K	10-15K	15-20K	20-30K	30K+	<10K	10-15K	15-20K	20-30K	30K+
Status during employment²										
After gaining status		5	3	6	4					
Before losing status	1					2	1	3	1	1
History Unclear	3						1	1		
With/without status	3	2	1	1						
Without status	2	1				5	1	6	2	1

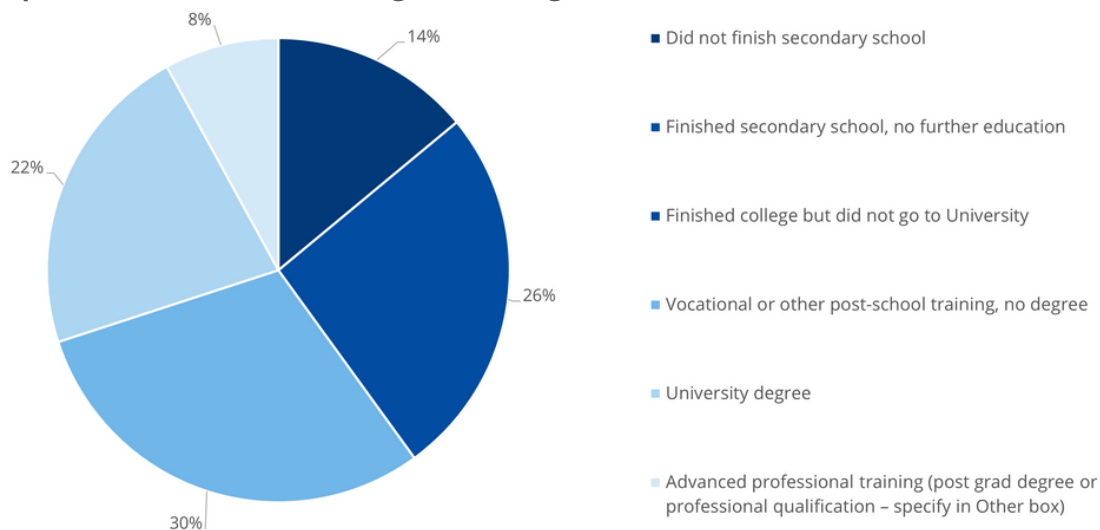
[2] Participants were categorised under “without status” when they continued to work even after falling out of status. Those categorised “with/without status” are those where it is unclear if they started working after gaining status or were working while irregular then regularised and continued working.

Graphs 3 and 4 compares educational attainment among those with and without status; although there are some differences, with the former having a higher proportion of people with advanced professional training, a substantial majority of both categories have some level of further and higher education.

Graph 3. Education levels amongst irregular participants



Graph 4. Education levels amongst those regularised



The table below shows that of those who currently hold status, we see a clear increase in medium to high skill employment; this includes participants who have work titles that include terms such as leads, managers, officers, associates, etc. This is equally true when looking at advanced qualifications and vocational/post-school training where we see assistants, supervisors, and organisers in the job market. Of those that finished secondary school/college but did not pursue higher education we do see some restaurant workers and cleaners, but even so we see some move up to supervisors, receptionists, chefs, and assistants.

In interpreting the data for those who do not currently have status, it is important to note that in many cases this represents their employment when they did have status; as noted above, many stopped working entirely after losing status.

For example, the majority of those who hold a degree worked as carers and healthcare assistants, but are categorised as “Stopped working and paying taxes after losing status”. The same is the case for those who report having worked as “high qualified” jobs such as personal assistant and project manager, they both are under the category “Stopped working and paying taxes after losing status”. Of those who only finished secondary school, they either have an unclear work history or “Work and do not pay taxes without status.”

Table 6. Employment skill level by education level and immigration status

	Current Employment Skill Level		
	Medium to high skill ³	Some skill required	Unskilled
Regularised			
Advanced professional training	6	1	
Finished college but did not go to University		1	
Finished secondary school, no further education	1	2	2
University degree	10	2	4
Vocational or other post-school training, no degree	2		2
Irregular Status			
Advanced professional training	4		
Finished secondary school, no further education	1		2
University degree	6	1	1
Vocational or other post-school training, no degree	2	2	6

[3] Medium to high skill includes workers in health care, carer and managerial positions. Positions such as customer service, assistant, and receptionist were classified as “some skill required”. Others, including waiters, nannies, and cleaners were classified as unskilled.

This suggests both losing and gaining or regaining status have substantial impacts on the nature of the labour markets that migrants can access; with those with status able to find formal employment that, at least in some cases, allows migrants to find jobs that at better reflect their skills and qualifications; those who lose status are obliged to give up such jobs and, to the extent that they can find employment, are confined to lower skilled/paid jobs in the informal sector.

Our analysis therefore supports the broader evidence that regularisation would increase employment probabilities, earnings and tax payments. As noted above, earlier GLA work estimated – while rightly drawing attention to the very large uncertainties surrounding such estimates – that regularisation would increase employment probabilities by 6%, earnings by 25%, and the probability of paying tax from about half to full compliance; this, in turn, was estimated to result in an increase in tax revenues of 15% of gross earnings, or £1,450 per annum per regularised adult.

Our survey, while relatively small, and not in itself providing data that can support precise quantitative estimates, provides evidence that is both more up-to-date and more granular. The discussion above suggests that;

- **On employment,** the potential impact of regularisation appears significantly greater than that found by GLA. Our evidence suggests that falling into irregular status leads a large proportion of respondents to leave employment; and that obtaining regular status leads to large increases in employment probabilities, with a clear and direct causal link in both directions.

- **On earnings,** our data is not sufficiently rich to derive precise quantitative estimates. However, we do observe higher earnings, and clear evidence of upward occupational mobility, among those regularised (and, given the skill levels of our respondents, potential for further upward mobility)
- **On tax,** our data is very much consistent with the broad conclusion that essentially all those with regular status pay tax, while perhaps up to half of those working with irregular status do.

Overall, then, our sample suggests that the estimates found by the GLA look to be on the low side, with regular status increasing the probability of working from no more than a third to well over half; and the probability of working *and* paying taxes from less than 1 in 5 to about half. On top of those for those working earnings are likely to increase, perhaps by up to 20 to 25%, although some lower skilled workers may see much smaller increases.

Calculating the impact on tax revenue of this is not straightforward, since it will depend not just on earnings but on hours worked and other factors as well as whether those with irregular status were in fact paying taxes before regularisation. Moreover, increases in employment and earnings also, via increases in income, lead to increases in other tax revenues, in particular indirect tax revenues such as VAT, as the extra income feeds into increased spending.

However, at current levels of the national minimum wage, a reasonable but conservative – albeit highly uncertain – estimate would be that the resulting increase in tax revenue would be an average of approximately £2,015 per person regularised from direct taxes alone. This is somewhat higher than the £1,450 estimated in the GLA work; this reflects a combination of factors (higher wages overall, but in particular a higher minimum wage; lower levels of direct tax, especially income tax; and our somewhat more optimistic assumptions about employment impacts).

This figure is illustrated in the table below, although this has been constructed using highly stylised assumptions and should be regarded as indicative only.

Note that it includes employers' National Insurance contributions (as well as employees') since, for those regularised moving into employment on which taxes are paid, this represents a fiscal benefit.

There would also, as noted above, be increases in indirect tax revenue resulting from increases in employment and earning. The table below shows that this could amount to an extra £1,250 per person regularised. However, these estimates are even more uncertain, and should be regarded as an upper bound, since it seems likely that migrants without status have other sources of income than earnings (or benefits), and hence are already paying some indirect taxes, since otherwise they would not be able to afford food or basic necessities.

Table 7. Earnings and revenue impact estimates⁴

	Immigration Status	
	Regularised	Irregular Status
Probability of working	60%	25%
Average earnings	£22K	£18K
Probability of paying tax	85%	25%
Direct tax revenue	£2,240	£225
Impact on direct tax revenue	£2,015	
Indirect tax revenue	£2,000	£750
Impact on indirect tax revenue	£1,250	

[4] Direct tax is estimated as 20% of earnings, based on analysis of ONS, Effects of Taxes and Benefits on Household Income, 2022. Includes employers NICs payable. Indirect tax revenue is estimated as 16% of earnings after tax, based on House of Commons Library, 2021.



BENEFITS AND PUBLIC SERVICES

We now turn to the impacts on receipt of benefits. Unsurprisingly, regularisation is strongly associated with claiming benefits, in particular Universal Credit and child benefit; most of those with status claim one or both. Section 115 of the Immigration and Asylum Act 1999 specifically states that people do not have recourse to public funds if they are subject to immigration control; this applies both to those with irregular status, but also those who have some form of status (for example a work or student visa) but do not have indefinite leave to remain. The fact that most of those with regular status in our sample are claiming such benefits presumably reflects that in most cases they have been granted indefinite leave to remain and/or refugee status, which entitles them to those benefits.

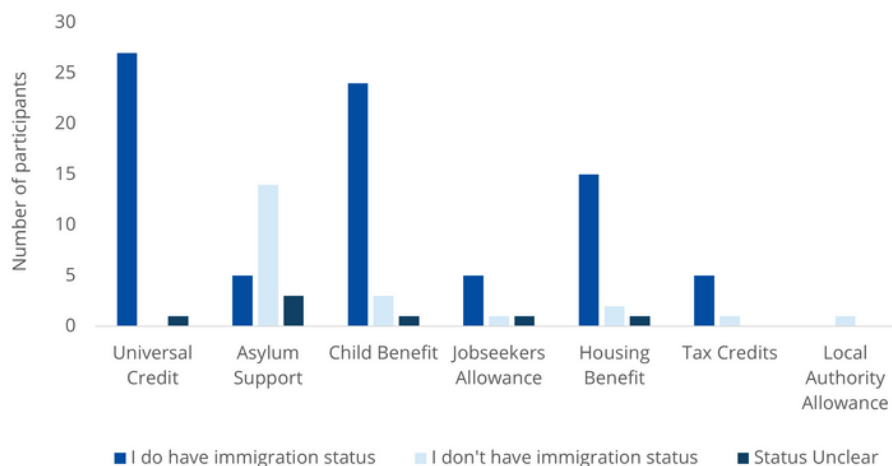
For those without irregular status, a small number do report benefit receipt, but some of this may relate to the period before they lost status. A substantial number were in receipt of asylum support at some point.

Although those without legal status have no recourse to public funds, there is still some assistance from local authorities for certain services such as education and social care (London Councils, 2022). Within our sample population we see at least one participant clearly state that the benefits they have been able to access come from a local authority allowance.

Table 8. Access to Benefits

Have benefits been accessed	Immigration Status			
	Regularised	Irregular status	Status Unclear	Total
No	11	31	1	43
Yes	35	19	3	57
Total	46	50	4	100

Graph 5. Breakdown of benefits use



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EDUCATION AND HEALTH

Almost all respondents, regardless of status, were registered with a GP and had access to NHS services. The almost universal GP registration reflects the fact that GP registration does not require evidence of legal status (although it does require proof of residence) and there are no charges for GP services, regardless of status. By contrast, use of non-emergency NHS services is chargeable for those who cannot show they are entitled to free services – this includes not just irregular migrants but many of those with status but without indefinite leave to remain.

This is visible in our data, in that several of our respondents, both with and without status, were charged relatively large amounts (in one case, £15,000), although it is unclear if these bills were actually paid. Indeed, when asked which services participants have not been able to access due to their immigration status, many still quote health services – in one instance the participant specifically states they stopped using the NHS after losing status, which may reflect the deterrent impact of charges.

As noted in the GLA report, the impact on health spending of regularisation is unclear. In particular, any extra spending resulting from increased access to non-urgent care might well be offset by reduced need for emergency care (which is not restricted to those with status), as well as broader economic benefits (via employment and earnings). And it is unclear if the sometimes large charges levied on migrants, both with and without status, are in fact ever paid.

Table 8. Interaction with the NHS

	Immigration Status			Total
	Regularised	Irregular Status	Status Unclear	
NHS Access				
No	6	11	0	17
Yes	35	38	4	77
NHS Immigration Status				
No	13	14	3	30
Yes	10	8	1	19
GP Registration				
No	2	7	0	9
Yes	42	43	4	89

Both those with and without status have considerable, albeit varying, interactions with the education system. Many of the participants initially arrived on a student visa and were presumably pursuing (paid for) undergraduate or postgraduate studies. Others specify that they were able to do their university degrees after obtaining status, when they would presumably be treated as residents. The other most noted uses of the education system are NVQ courses, English classes at non-profit organizations in the UK, as well as their children's school. The latter, children schooling, becomes very clear as well when looking at levels of children's school attendance from those participants with children.

Overall, then, the impact on education spending is unlikely to be large, since usage, in particular of the compulsory system, is similar (and comprehensive) for those with and without status. There may, over the longer term, be some increase in spending on further and higher education if those regularised return to education at some point. But this is not necessarily a net fiscal cost: on average, there are significant net Exchequer benefits to students attending higher education, since the additional revenue resulting from higher earnings outweighs the net cost of student financial support (Britton et al, 2020). Overall, there does not seem to be any basis on which to assume there will be any significant net extra costs to the education system.

Table 9. Interaction with the UK Education System

	Immigration Status			
	Regularised	Irregular Status	Status Unclear	Total
Education System Access				
No	16	20	1	37
Yes	29	29	3	61
Children School Attendance				
N/A	7	21	1	29
No	6	6	0	12
Yes	31	22	3	56

THE IMPACT ON PUBLIC SPENDING

The largest and most easily quantifiable impact of a regularisation exercise on public spending would be an increase in benefit payments. Apart from asylum support, our sample shows that those who have obtained regular status are considerably more likely to be accessing the benefit system. While access to the benefit system could in principle be restricted as a condition of regularisation, this would delay rather than eliminate the cost implications.

As with employment and earnings, precise quantification of the impacts is not feasible with our sample. However, average payments of the main cash benefits found in our sample - Universal Credit/tax credits, housing benefits and child benefits - for the second quintile of the income distribution is about £3,500 (ONS, 2022). If, as seems plausible, regularisation increased the propensity to claim the key benefits by 40 percentage points, this would imply an average cost per person regularised of £1,400 per year. Again, this is significantly higher than the GLA estimates, which assumed that benefit access among those regularised would be delayed and/or limited.

There might be some direct or indirect offsets to these costs, both in fiscal and broader social terms. Clearly, respondents without status and who are not working must have some means of support. Many respondents with irregular status are already receiving aid (financial or in kind) at present, particularly if they do not work, often from churches or charities.

To the extent that some of this support could, if respondents were regularised, be reallocated to others in need, this would represent an offsetting saving, albeit not a direct fiscal benefit. If they are not in work and not receiving such support, then they are presumably obtaining the means of basic subsistence from other, informal or irregular means, for example begging; again, reducing this clearly has social benefits, if not direct fiscal ones. Bell, Machin and Fasani (2013) found that a large inflow of asylum-seekers to the UK in the late 1990s and early 2000s was associated with a rise in property crime (but not other forms of crime), and suggested that this likely was driven by their lack of access to formal employment.

We find little evidence that suggests regularisation would, overall, lead to significant cost pressures for either education or the NHS. Both regular and irregular migrants already have access to, and make use of, compulsory education for their children; both have access to GP and emergency health services. The picture for other NHS services is much less clear, since some of those with status and all of those without may face barriers or charges, but it is unclear whether in practice such charges are imposed; and in any case the longer term impacts of excluding irregular migrants from access to NHS services may well be negative.

However, it is clear from our data that regularisation – if it was granted in the form of indefinite leave to remain, or another form of leave that did not directly restrict access to benefits – would lead to substantial increases in access to key welfare benefits, in particular Universal Credit, child benefits and housing benefits. This implies an average cost per person regularised of in the region of £1,400. This cost could in principle be reduced if some restrictions were applied for a period (for example, if those regularised were allowed access to child benefits and disability benefits, but not to Universal Credit for those in work). There would be offsetting social benefits, in particular reduced pressure on charities and perhaps some reduction in begging and/or petty crime.

There would also be wider economic and labour market benefits. Regularisation would increase labour supply, increasing per capita GDP and alleviating some of the shortages resulting from the post-covid rise in inactivity. It would also improve the labour market matching process.

THE IMPACT ON LABOUR SUPPLY, OUTPUT AND GROWTH

What would the impact be on labour supply, demand, and output? To the extent that regularisation enables people who would otherwise not be able to work to do so, it will increase labour supply; it will also (over time, and with a lag) increase labour demand, as their earnings will be (mostly) spent.

However, regularisation is not analogous to migration. In the simplest possible model, migration, when migrants are similar to natives, increases both labour supply and labour demand, with no long-term impact on the employment of natives or the employment/population ratio. Output rises, but per capita (or per worker) output only changes to the extent that natives and migrants have different characteristics, or there are complementarities and spillover effects (Portes, 2018).

The impact of regularisation is more akin to moving someone already resident in the UK from inactivity to employment. That is, it increases labour supply, but – unlike migration – it increases the employment/population ratio and hence output per capita. It also increases labour demand but not necessarily one-for-one, since those who are inactive (including irregular migrants) are already consumers and hence are already contributing to labour demand; the increase in aggregate demand is therefore considerably less than the increase in labour income. And, as noted above, it generates fiscal benefits from increased tax revenues.

At the margin, therefore, regularisation (as with reduced inactivity) may reduce wage pressures. In a general equilibrium setting, this will depend on how the additional fiscal revenues resulting from increased employment are allocated. If they are spent, this will further increase labour demand; however, if they are not, then the net impact will indeed be to increase labour supply by more than demand. In current UK conditions, this would clearly have economic benefits, partly offsetting the damaging fall in labour supply and rise in inactivity that has resulted from the pandemic.

Separately, to the extent that regularisation allows some people to seek jobs that are better suited to their qualifications or skills, it will help facilitate the matching process in the labour market and reduce labour or skill shortages; this again will have wider economic benefits.

CONCLUSIONS

CONCLUSIONS

Our research sheds light on the impact of both the loss of regular status, and its (re-)acquisition, amongst migrants to the UK. It shows that migration journeys among those who have, or had, irregular status are often highly complex, as are employment histories. However, there are very clear impacts from the loss of regular status and its reacquisition, with loss of status often leading to loss of employment or a move to the informal sector, while the acquisition of status is associated with the reverse.

We also find high levels of educational attainment and qualifications in our sample, and consistent with other studies, regular status appears to facilitate migrants' access to jobs that are better matched to their skills, with associated higher earnings. Regular status is also associated with greater access to welfare benefits. However, there is little evidence to suggest that it is associated with greater use of either the education system or NHS.

Our sample size is small and, while diverse, is unlikely to be fully representative. Quantitative estimates based on our findings must therefore be treated with caution and regarded as indicative at most. Nevertheless, they suggest that regularisation might be expected to increase direct tax revenues by perhaps £2,000 per person regularised, with a further significant increase in tax revenues resulting from extra indirect tax on the resulting extra spending. There would also be wider economic and labour market benefits, resulting from increased access to formal employment and greater occupational mobility.

We also estimate possible increases in spending on welfare benefits of perhaps £1,400 per person regularised, although there may be some offsetting indirect savings. We do not estimate the impact on education or NHS spending, since we can find little evidence that such costs would be material.

There would also be wider economic and labour market benefits. Regularisation would increase labour supply, increasing per capita GDP and alleviating some of the shortages resulting from the post-covid rise in inactivity. It would also improve the labour market matching process.

Overall, our findings is consistent with direct evidence from quantitative studies in other countries that regularisation would likely, on average, result in significant (albeit not huge) economic and fiscal benefits; and helps substantiate assumptions made in previous such studies for the UK which reached similar conclusions.

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