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How to make immigration work in Britain's interests

Hostility to migrants is sweeping Europe – and we need more sensible curbs, argues Irwin Stelzer.

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We're not working any more: migrant workers often displace local workers and push pay down Photo: Reuters

From France (deport Romas), to Germany (preserve national identity), to Sweden (xenophobes win seats), to the Netherlands (no more burqas), an anti-immigration tide is sweeping across Europe. Britain is no exception; permanent restrictions on immigration are inevitable. But it would be a pity if they deny companies the skilled workers they need to remain competitive in a globalised world.

Britain can do little to reduce the flow of immigrants from the other 26 EU member states. In future it will be able to do even less if Bulgaria

goes through with its plan to issue 500,000 passports to citizens of non-member countries; and if the new EU rule that guarantees immigrants the right to all welfare benefits accorded to native populations proves a magnet for immigrants.

Work visas for non-EU immigrants are now subject to a temporary cap that has left affected firms threatening to move where the skilled workers are. Employers are right. Restrictions on the numbers of would-be workers cut into their bottom lines, put pressure on them to train British citizens to do these jobs – often costly – and probably reduces national wealth.

Native workers are also right. In many cases immigrants take "their jobs" or, at minimum, place downward pressure on wages.

And residents of towns in which immigrants cluster are also right. Their culture is threatened as strange sounds and smells dominate once-familiar streets, and the burdens on the social services are increased.

The Government is desperate to satisfy all parties. So it has called in the bureaucrats to decide which immigrants should be admitted. It should instead concentrate on how to get the winners to share some of their increased profits with the losers who bear the costs.

Immigrants possess skills that are in short supply here, and add billions of pounds to national output. But a system that calls on bureaucrats to award points to workers with skills the bureaucrats decide are most needed is bound to get things wrong. There is a more efficient and fairer way.

Employers and immigrants strike wage deals that leave out of the equation the costs to society. Schools are more crowded, demands on the NHS increase, in some cases policing costs rise, incentives to train native workers fall. Economists call these "externalities" – costs created but not borne by the parties to a transaction.

The government can put these costs where they belong – on the firms and workers who benefit – and make sure that each visa adds to national wealth. How so? By requiring employers to bid for the limited number of entry permits, the proceeds to be remitted to the

communities on which the immigrant imposes costs, or to HM Treasury. The employer will pay the full cost of the immigration, perhaps making up some of that cost by offering the immigrant a lower wage – which will reduce the demand for entry.

Like other market-based solutions, this is adjustable: if bidding for permits gets outrageously high, the government can increase their number.

Of course, other things need doing. Britain could refuse entry to anyone with a passport from Bulgaria, and fight it out before Europe's courts. After all, the EU has merely wrinkled its nose at France flaunting its treaty obligations. Britain can also really, really defend its borders. The government can put any applicant for entry at Heathrow with no papers back on a plane to wherever he had embarked on his journey. It can immediately deport any illegals it rounds up, and if the country of origin refuses to take them back, send them to a willing country, perhaps for a fee. Such a policy would reduce the number of illegals trying to sneak into Britain.

So, a limit on immigrants, border control, auctioning of permits. All are ingredients of a sensible policy that would add to national wealth. Innocent bystanders in communities now bearing the social and economic costs would be compensated, rather than forced to subsidise the large companies that are the major importers of labour.

Imperfect solution? Sure. But before dismissing it, consider this. Economists Pia Orrenius and Madeline Zavodny, in their new book *Beside the Golden Door*, suggest an initial minimum price, which would fluctuate according to demand, of \$10,000 for a high-skill permit to work in the US. If British companies really need those foreign workers, a price anything like that would net the Treasury £350 million for 50,000 permits. And the nation the workers it most needs.