



In-work benefit restrictions and EU migrants to the UK

European Union: MW 373

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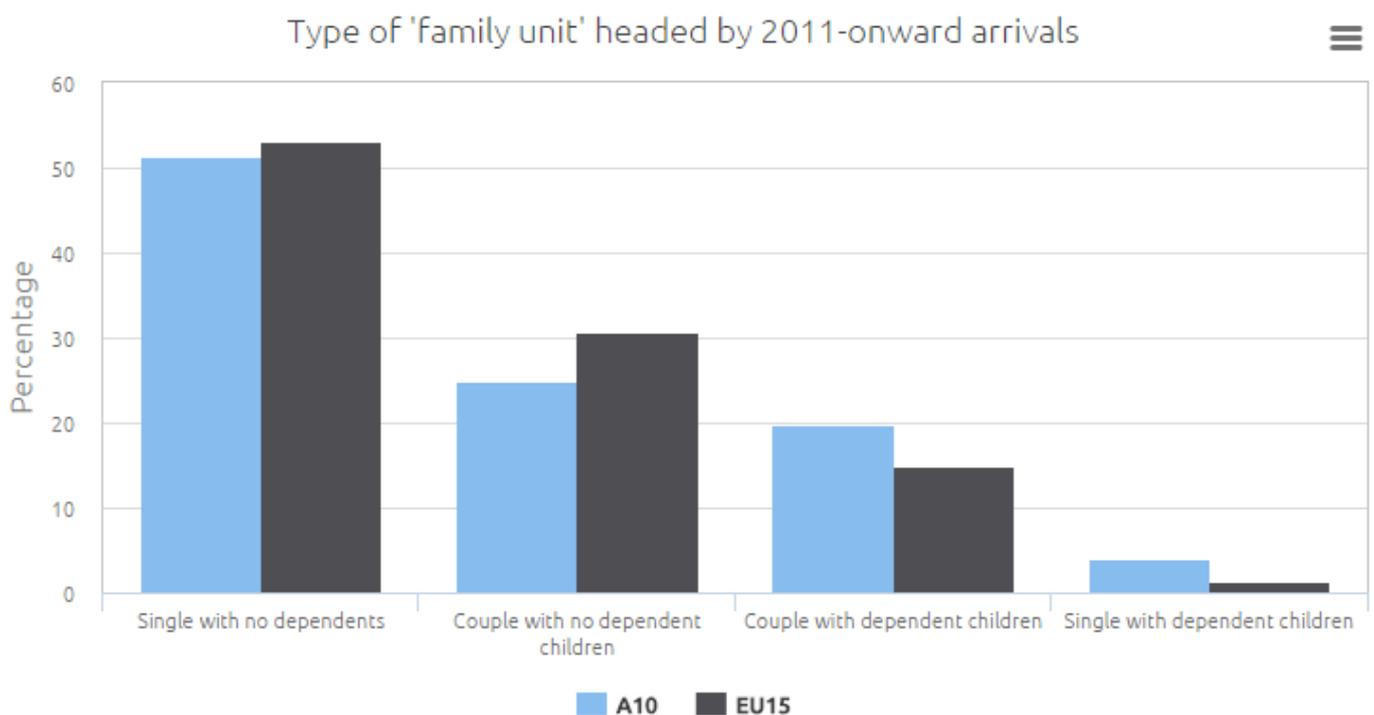
Summary

1. Most family units headed by recent EU migrants do not have any dependent children whether they are single or in couples. This means that even in low-paying jobs they are not entitled to large amounts of benefits, and thus an 'emergency brake' on in-work benefits is unlikely to have any significant effect on levels of migration when the primary draw is likely to the availability of employment in the UK.

Family composition of recent arrivals to the UK

2. Looking at families headed by people first arriving from Europe in the past four years (2011 onwards), roughly 75% comprise singles and childless couples (Figure 1 below). These migrants will - on arrival and for some time afterwards - not be calling to any great extent on welfare spending and would not, therefore, add to the case for an "Emergency Brake" if it were to be based on pressure on the benefit system from new arrivals.

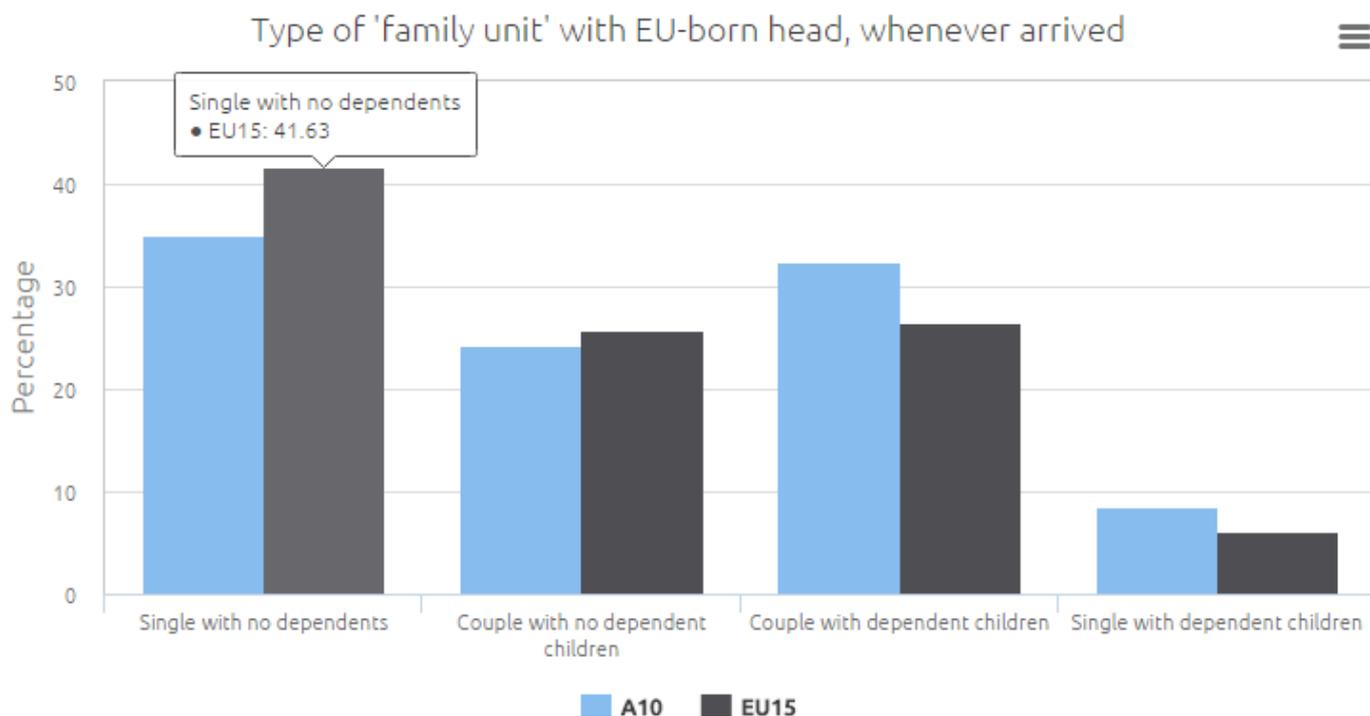
Figure 1: Families with EU head of family unit first arriving in UK 2011 onwards



Family composition over time

3. Looking at all families headed by EU migrants including those who first arrived in the UK over four years ago (Figure 2) it is clear that the proportions in couples and with dependent children are considerably higher than for more recent arrivals. This is consistent with data that suggests that rates of benefit claim are low on arrival and for some time afterwards. It is also consistent with the information that most are single and/or childless on arrival, and that only over time do these people form couples and have children.

Figure 2: All families with EU head of family unit (16-64)



Note: Data for Figures 1 and 2 from UK Labour Force Survey July-September 2015

People with no dependants - restriction unlikely to have any impact

4. A typical single person working thirty five hours on the National Minimum Wage (NMW) is currently entitled to only around £500 a year in tax credits. Half of the family units headed by Eastern Europeans who first arrived in the UK 2011 onwards fall into the category of single people. Even those who are working only at the minimum wage would thus lose less than £10 a week. It seems extremely unlikely that this would cause anyone to leave the UK or decide not to come to the UK for work. For couples without dependent children, even if they are each only earning £9,000 a year they have no entitlement to tax credits and so any restriction would make no difference to them.

Couples with children

5. Couples with dependent children comprise only around a fifth of family units headed by Eastern Europeans who first arrived in the UK 2011 onwards. This means that small sample sizes for earnings information in the Labour Force Survey make it difficult to estimate income distributions among this smaller group. For illustrative purposes, three different couple with dependent children family types have been modelled:

(a) Mid-earning - restriction unlikely to have any impact

The first is a family unit of one person earning an average salary and a partner currently working part-time for sixteen hours a week on the National Minimum Wage, looking after two children. Such a couple typically receives no in-work benefits at present. This is couple #1 in Figure 3.

(b) Lower earning couple - possible small behavioural impact.

Two earners each working 35 hours a week on the National Minimum Wage while looking after two children receive around £4,000 a year in in-work benefits. However, losing these benefits would still leave the couple with net income of over £22,000 a year. For comparison, this minimum wage income is significantly more than average earnings in the Czech Republic. This is couple #2 in Figure 3.

(c) Lowest earning couple - significant impact on earnings but uncertain effect on migration.

A couple with two dependent children but only a single earner at National Minimum Wage may be relying on in-work benefits for as much as half of their family income. However, while a high level of benefits is presently available denial to recent (or new) EU migrants would be a significant deterrent only to those where the second partner is unable or unwilling to work. It is by no means certain that the result of benefit restrictions would be to deter migrants rather than encourage non-working partners into work. Employment rates of A10 migrants suggest that these couples in any case do not form significant numbers of recent arrivals. This is couple #3 in Figure 3.

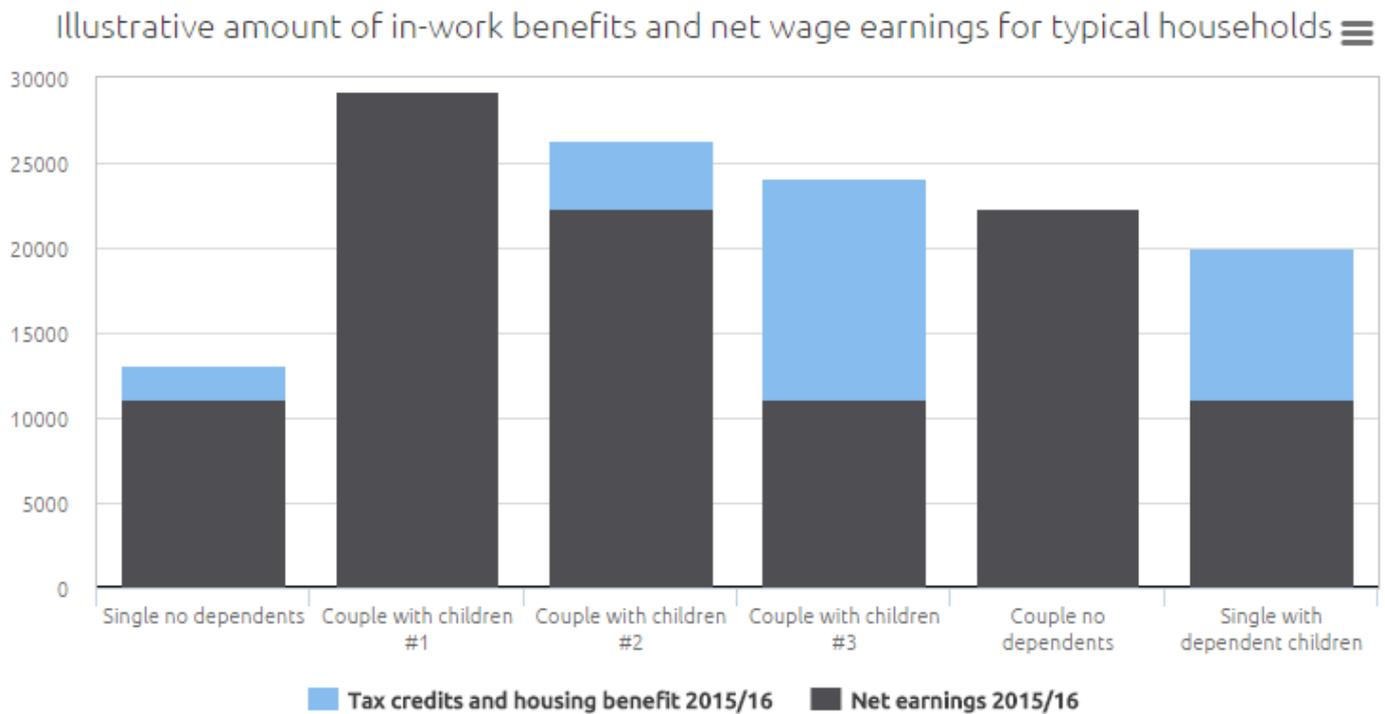
Single parents - significant financial impact but very little impact on migration

6. Single parents comprise less than 1 in 20 of families from Eastern Europe who first arrived in 2011 and subsequently, and of course some of these will have arrived initially without children. It seems likely that any benefit restriction would be more likely to discourage those who arrive as singles from having children without a partner than have any material impact on migration.

Conclusion

7. While it has always appeared that the numbers affected by benefit restrictions would be small, even those who might be affected by any restriction might not find that the attraction of work in the UK is diminished; the very high levels of employment across all family types suggests that it is the availability of employment in the UK that is currently the main pull factor for migrants from the EU. Those families who might theoretically be significant losers from benefit restriction are those with dependent children but only one parent working. As the natural response to any restriction on benefits is simply for the other parent to take up work, it is hard how any real impact on immigration is likely to result.

Figure 3: Illustrative amount of in-work benefits and net wage earnings for typical households



Notes for Figure 3:

- Assumptions: in-work benefits 2015/16 comprise tax credits and housing benefit (assuming private sector renting and England LHA average) as per House of Commons Library calculations.
- Typical households details
- Single no dependents - 35hrs on NMW
- Couple with children #1 - 1st earner earns median salary, 2nd earner 16hrs on NMW, 2 dependent children
- Couple with children #2 - two earners each working 35hrs on NMW, 2 dependent children
- Couple with children #3 - Single earner 35hrs on NMW, 2 dependent children
- Couple no dependent - 2x35hrs NMW
- Single with dependent children - 35hrs on NMW, 1 dependent child

