



# Expense turns to investment: How the welfare state supports EU migrants' economic achievements

Welfare support for European Union migrants to the UK has often been presented as a “burden”. However, evidence that migrants are strongly work-focussed suggests greater attention should be given to the welfare state’s social investment role. This briefing investigates the degree to which the UK’s welfare state helps EU migrants enhance their economic activity. How have policy changes post-2014 affected this situation? What would happen if the UK left the EU?

## Key Points

- The majority of intra-EU migrants come to the UK to work, with evidence suggesting their contribution is economically beneficial
- Prior to 2014, the UK benefit system provided basic, but protective, levels of support for migrants seeking to improve their skills, integrate into the UK labour market and act entrepreneurially
- Policy changes since 2014 have reduced the level of support available, increasing risks for migrants that are seeking to enhance their economic activity
- A UK exit from the EU would likely reduce such levels of support for EU migrants further, affecting negatively their potential economic contribution

## Introduction

Whether EU nationals should have access to welfare benefits is a prominent topic in debates about the UK’s membership of the European Union. EU migrants are often framed as a welfare “burden”, because they claim benefits and use already-stretched welfare services. Consequently, UK policy-makers have reduced their social rights. Yet, as shown by the analysis offered in Briefing 33, EU migrants are productive and job-motivated; they migrate to work or study, are generally

younger than the average UK worker and are well educated. Their presence, evidence indicates, has been economically beneficial. Research suggests social policy can support these productive motivations: it can reinforce work-focussed citizens’ willingness to take risks, learn new skills and act entrepreneurially; it provides security should such efforts fail. Given such research, it is important to understand the productive contribution of UK welfare provision for migrants as well as its costs.

## The study

This study uses hypothetical evidence-based biographies to illustrate how restricting the benefits that EU migrants are entitled to has the potential to affect their productivity. The characteristics of the migrants in these biographies were chosen on the basis of statistical evidence about the EU population in the UK. Three biographies from a wider study will be shown here.

To evaluate the impact of the restrictions, the entitlements of the migrants are compared under three different scenarios: “Before 2014”, when migrants had similar rights to UK nationals; “After 2014”, when entitlements were tightened, including the UK’s recent renegotiation of EU policy; and “Brexit”, which is treated as resulting in EU migrants arriving in the UK having the same entitlements as all other non-European Economic Area citizens.

In each of these three scenarios, the amount to which each migrant is entitled is compared to a relative poverty line. This was calculated as 50% of the mean income in the UK, adjusted to reflect the number of people in the hypothetical household in which our three simulated migrants live using the OECD-Modified Scale. We used average wages to estimate income.

## Main findings

### Background

Since 2014 a number of measures have been introduced to make it harder for EEA migrants to claim benefits in the UK. These have included removing housing benefit for jobseekers; imposing a three month wait for new jobseekers before they can make any claim; the introduction of a minimum earnings threshold below which work is considered marginal to the labour market rather than core, making it subject to further scrutiny when benefits are claimed; the restriction of benefits for migrants viewed as having no “genuine prospect of work”; and recent renegotiations that would allow the UK government to freeze all benefits for new arrivals from the EEA under certain conditions. However, this last element still needs to be approved by all EU governments.

### The effects

The new restrictions can have a negative impact on young, qualified migrants who have entered

## Biography 1: The graduate jobseeker

Name: Peter

From: Poland

Age: 24

Family: Single

Education: Degree in Computer Science

Poverty line: £1,016 per month

UK Activities: Finished graduate

internship as a software developer. After

this, he found intermittent work on low wages using his savings to tie him over.

After six months this job finishes and he claims benefits while he looks for more work, his savings exhausted.

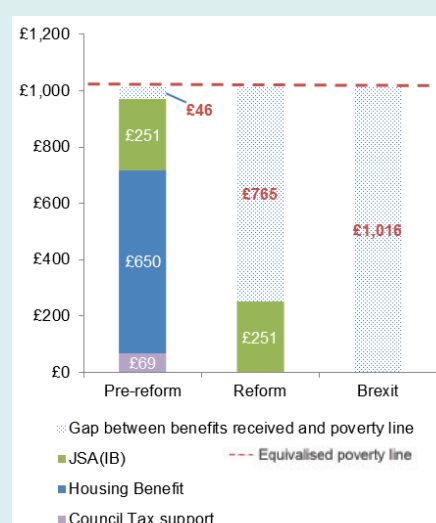


Figure 1: Peter's total income in the three scenarios compared to the adjusted poverty line

In the reformed system Peter would lose his entitlement to housing benefit and council tax reduction, meaning that his income would fall to £696 below the adjusted poverty line. In the Brexit scenario, he would have no recourse to public funds and lose entitlement to support altogether.

the UK to be economically active. During periods of low income, the welfare state has supported the three biographies through benefits, rebates or public funding schemes. This support was strongest before the reforms in 2014, and each migrant’s personal income was kept above or near the relative poverty line. In the post-2014 scenario, total income dropped because of changes in eligibility requirements.

### Biography 2: The care worker seeking to be a nurse

Name: Maria  
 From: Romania  
 Age: 30  
 Family: One child, 5 years old  
 Education: Secondary level qualifications  
 Poverty line: £1,321 per month  
 UK Activities: Working as a care worker on a salary of £1087 a month. She would like to train to become a nurse and study part time.

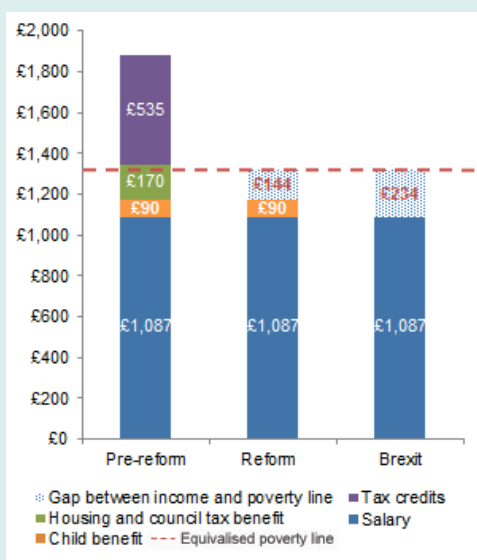


Figure 2: Maria's total income in the three scenarios compared to the adjusted poverty line

In the first scenario Maria's total income from work and benefits is more than enough to keep her out of relative poverty. In the second (the new emergency break is imposed) and third scenarios her income has fallen well below this threshold. This lack of support and security would become a barrier to her attempts to move from the periphery to the core of the labour market.

### Biography 3: The small business entrepreneur

Name: Manuel  
 From: Portugal  
 Age: 32  
 Family: Wife and two children  
 Education: Degree level  
 Poverty line: £2,134  
 UK Activities: Sets up a business importing wine. He takes a low wage from the business to help its survival in volatile early stages. In order to expand his enterprise, Manuel applies for funding through public grant schemes.



Figure 3: Manuel's total income in the three scenarios compared to the adjusted poverty line

Manuel would find his eligibility to apply for various public grant schemes restricted in the event of a Brexit, and competing for public money to support his business would become a lot more difficult. He would also find that his entitlement to benefits (child benefit) would be removed if the UK leaves the EU, moving his household further away from the relative poverty line.

This meant that the total income of each migrant either fell below or moved further away from the relative poverty line. This not only makes everyday life more difficult for them but also makes it harder for them to be productive and contribute to the UK economy, either by finding a permanent professional job, completing professional training

and earning a qualification, or ensuring the profitability of a business. In the Brexit scenario the situation is even more difficult. As visas are given to non-EU migrants with no recourse to public funds, support is at an absolute minimum.

## Policy implications

We have shown here how the welfare state has supported three young and qualified migrants, through benefits, rebates or public funding schemes in their endeavour to make contributions to the UK economy. Support was strongest before 2014, after that time welfare support for intra-EU migrants worsened significantly when the UK government reduced entitlements in order to discourage benefit tourism.

However, the evidence suggests that intra-EU migrants are work-focussed and we lack evidence that benefit tourism is widespread. The reforms thus address a problem whose existence has yet to be proven; at the same time they weaken the welfare state's support for migrants' productive potential. As long as public debate focuses only on social policy as a "burden", ignoring its social investment role, this policy direction seems likely to continue.

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