

What do we know about EU migration to the UK?

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27/10/2014

Published at: <https://blogs.lse.ac.uk/politicsandpolicy/what-do-we-know-about-eu-migration-to-the-uk/>

Even compared to the usually high-volume state of the migration debate in the UK media, there has been a lot of noise in recent weeks about EU migration to the UK. David Cameron has promised to put migration at the heart of his EU renegotiation, Ed Miliband has pledged tougher rules on benefits for new migrants, Nick Clegg called for tighter controls on immigration from new EU states, and UKIP has used EU migration as its battle cry in recent by-elections. In the midst of this abundance of promises it is important to step back and analyse what do we know about these EU migrants who are now at the centre of the political discussion in the UK.

Background

During 1991-2003 net-migration (i.e. immigration – emigration) from other EU countries to the UK was very small. This contrasts with an average annual net-migration from non-EU countries to the UK of over 100,000 migrants for the same period. Unsurprisingly, EU migration to the UK was not a major political issue during that period. Two events would change this:

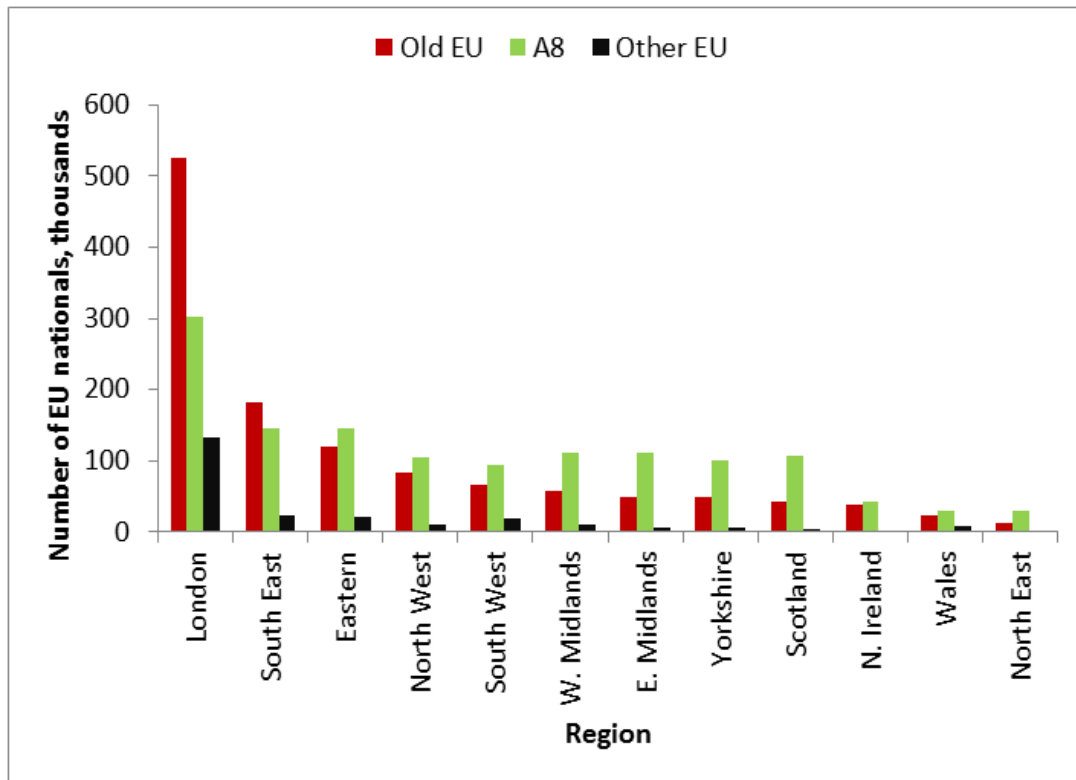
1. On 1 May 2004, 10 countries joined the EU and 8 of those countries had living of standards well below those of other EU members (i.e. A8 countries). The UK was one of three countries which opened labour markets immediately to workers of all the new member states. Since 2004, tens of thousands of A8 nationals have migrated to the UK every year. More countries have joined the EU since then (e.g. Bulgaria, Romania and Croatia) and nationals of most of these countries also have access to UK labour markets.
2. Since 2009 several Old EU countries (i.e. the other 14 countries which were members of the EU before 2004) have faced serious economic difficulties. Some of those countries (e.g. Greece, Spain) have unemployment rates of over 20 per cent. The UK has become one of the key destinations of Old EU nationals looking to escape the economic problems of their countries.

How many are there and where are they?

Data from the Labour Force Survey (second quarter of 2014) suggests that there are close to 2.8 million EU nationals living in the UK. There are an estimated 1.3 million old EU nationals living in the UK (47 per cent of all EU nationals in the UK) and about the same number of A8 nationals. The rest (around 240,000) includes nationals from Cyprus, Malta, Bulgaria, Romania and Croatia.

Unsurprisingly, London and the South East region host the largest number of EU nationals. However, as shown in Figure 1, London and the South East are relatively more important for Old EU nationals than for A8 nationals. A8 nationals are more spread around the country and surpass Old EU nationals in the other regions. This has been one of the main concerns about A8 migration expressed by different stakeholders since 2004. Many A8 nationals migrated to rural areas in which migration was uncommon, and may have lacked the necessary infrastructure.

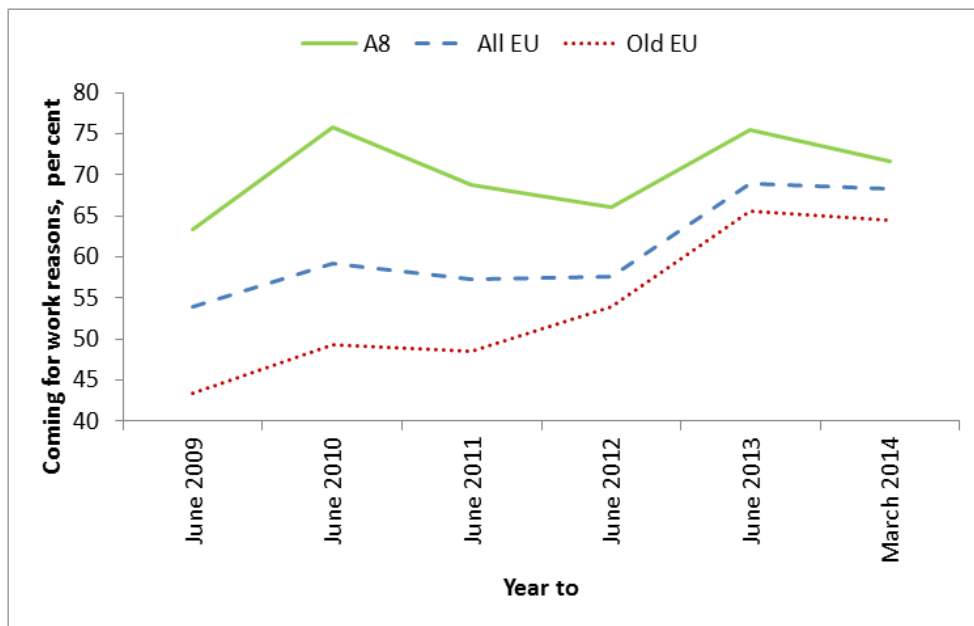
Figure 1: Geographical distribution of EU nationals. Source: Author's estimates from the Labour Force Survey (Q2 2014)



Why do they come to the UK?

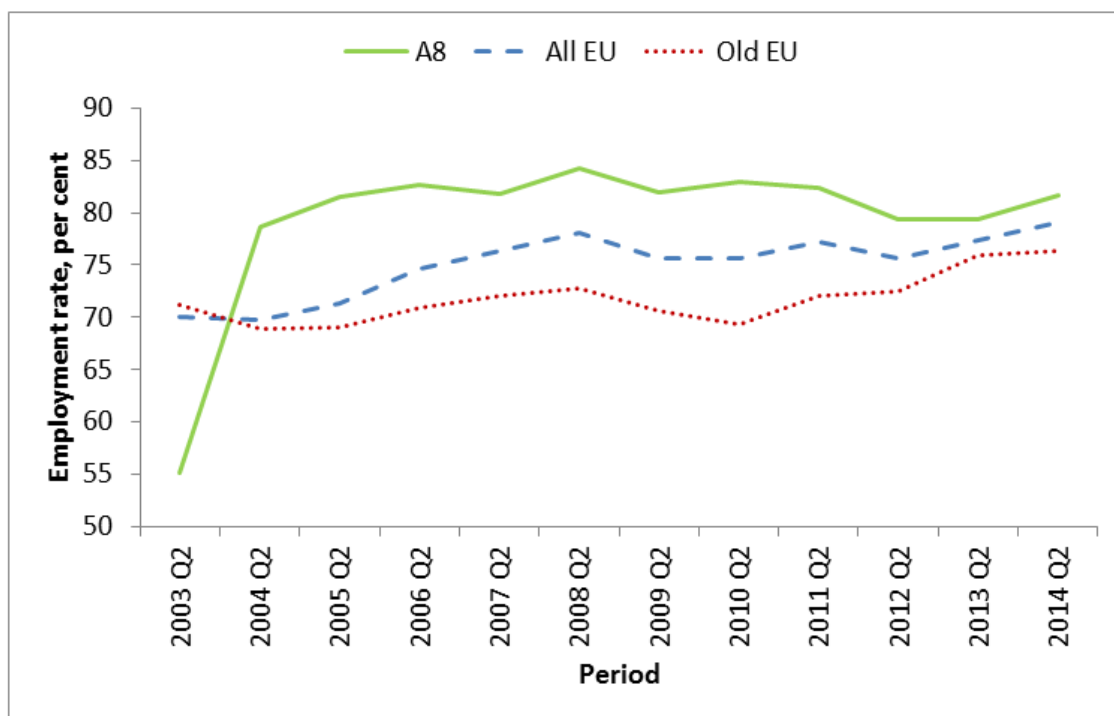
The reasons for EU nationals to migrate to the UK have changed over time (Figure 2). In the year to June 2009 54 per cent of incoming EU nationals cited work at the main reason for moving to the UK. Among Old EU nationals this number was just 43 per cent, while it was 64 per cent for A8 nationals. Other reasons for coming to the UK during that period include study (32 per cent for Old EU and 9 per cent for A8) and family reunion (4 per cent for Old EU and 7 per cent for A8). Things have changed significantly since then. In the year to march 2014, 68 per cent of EU nationals stated that work was the main reason for migrating to the UK. This increase corresponds to the economic difficulties currently experienced by Old EU countries, such as Spain, Portugal, Italy and Greece, and nationals of these countries looking for better work opportunities in the UK. In fact, data from National Insurance Number (NINO) registrations in the UK indicate that nationals of Spain and Italy now occupy the third and fourth place in registrations among non-UK nationals, just behind Poland and Romania.

Figure 2: Share of EU nationals migrating to the UK for work reasons. Source: Office for National Statistics estimates from the International Passenger Survey (several years)



The employment rate of EU nationals (i.e. the share of the working age population that is in employment) also provides insights on the reasons for coming to the UK (Figure 3). The employment rate of A8 workers increased substantially after accession and has been consistently above of that of Old EU nationals. Previously migrants from these countries largely came to the UK to escape persecution and political repression. Now they come to work. There has also been an increase in the employment rate of Old EU nationals since 2010, when the Eurozone Crisis turned worse.

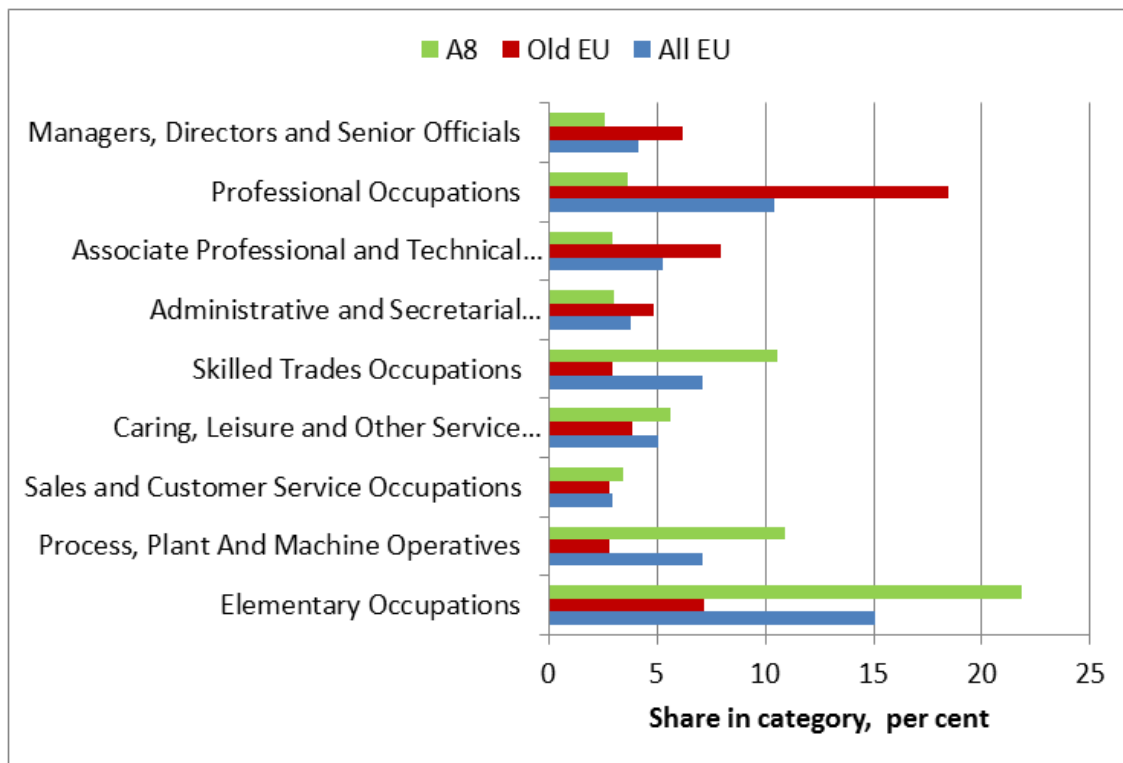
Figure 3: Employment rate of EU nationals in the UK. Source: Office for National Statistics estimates from the Labour Force Survey (several years)



In which occupations do they work?

Figure 4 reports the share of EU nationals in each of the main occupational categories. EU workers are spread around the different occupational categories. However, while Old EU nationals concentrate more in the professional occupations (e.g. health professionals, scientists), A8 nationals concentrate in elementary occupations (e.g. farm workers, cleaning). This difference in occupations also implies a difference in wages. Old EU nationals who work as employees earn an average of £34,000 per year, while this amount is only £17,000 for A8 nationals.

Figure 4: Share of EU workers in each occupational category



Source: Author's estimates from the Labour Force Survey (Q2 2014)

How many claim working age benefits?

The number of EU nationals (at the time they first registered for a NINO) claiming working age benefits in the UK increased from 65,000 in February 2008 to 131,000 in February 2014, close to a 100 per cent increase. The main driver behind the increase in EU benefit claimants was an increase in the number of claimants from accession countries from 13,000 in 2008 to 67,000 in 2014. This increase resulted in multiple headlines in UK newspapers about the existence of "[benefit tourism](#)". The UK's membership of the European Union means citizens of EU countries who come to the UK have access to its welfare system on essentially equal terms with British citizens, which could arguably provide a motivation for some to travel to the UK. However, only a small share of EU nationals in the UK claim working age benefits.

What is their economic impact?

The increase in EU nationals claiming working age benefits in the UK does not indicate that EU nationals drain UK public coffers. In order to look at the overall fiscal impact of EU nationals in the UK, it is necessary to look at the difference between two factors: the taxes and other contributions

migrants make to public finances and the costs of the public benefits and services they receive. If the difference is positive, migrants are net-contributors; if the difference is negative, migrants are a burden for the state.

Most of the evidence suggests that the fiscal impact of EU migrants in the UK has been positive, but small. In 2010, Dustmann et al. found that, in the four fiscal years after 2004, migrants to the UK from A8 countries made a positive contribution to public finances. The finding that A8 workers were making a positive contribution to public finances contrasts with the discussion that most A8 workers concentrate in the low skilled sector. Migrants doing highly paid jobs are the ones more likely to make a positive contribution to public finances. However, as explained above, A8 nationals have very high employment rates in the UK, a fact which offsets the effect of their lower wages.

Last year, Dustmann and Frattini explored the fiscal impact of migrants in the UK for the period 1995 to 2011. Their results suggest that for the whole period of analysis migrants from European Economic Area (EEA) countries made a positive contribution to UK public finances of about £8.8 billion. The authors also explored the fiscal impact of “recent immigrants” defined as those who arrived to the UK from 2000 onwards. Estimates suggest that recent EEA immigrants have made a positive fiscal contribution of about £22 billion for the 2001 – 2011 period.

This year, Rowthorn re-evaluated the estimates of Dustmann and Frattini for recent migrants. In particular, he argues for the need of a British worker displacement adjustment given the evidence that migration displaces British workers. After this and other adjustments he finds a negative impact of recent EEA migration of about £0.3 billion.

In sum EU migrants are ...

... a heterogeneous group. Old EU nationals tend to concentrate in London and the South East, often work in professional occupations and earn relatively high wages in average. Many Old EU nationals in the UK would have qualified for a visa under the current Points Based System of the UK. Meanwhile, A8 nationals are more spread around the country and tend to do low paying jobs.

What these two groups have in common is that they are now mostly coming to the UK for work reasons and seem to be actually finding employment in the country. Restricting the access of EU nationals to the welfare system may be a popular policy, but under the current circumstances, it is unclear whether it will have a major impact on the number coming to live in the UK.