

Welfare participation: A comparison between immigrants and natives in the United Kingdom

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Abstract

European migration is a hotly debated topic in the United Kingdom. Using the Labour Force Survey data for 2012 and 2013 this study analyses benefit claims among Central and Eastern European immigrants, immigrants from the old European Union member states, and UK natives. Results of logistic regression modelling show that, compared to natives, social benefit claims are higher among immigrants from the eight Eastern European countries that became member states of the European Union in 2004. However, those immigrants have a smaller probability than natives to claim unemployment related benefit or income support, indicating that the decision to migrate is not likely related to potential benefit support.

Keywords: Welfare participation; immigrants; European Union enlargement; United Kingdom.

Introduction

Recent changes to the labour market status of immigrants from Romania and Bulgaria in the United Kingdom (UK) are often motivated by concerns over negative consequences for the British welfare system. Romania and Bulgaria joined the European Union (EU) in 2007; however, migrants from these countries were subject to transitory restrictions until 2014 (Fox *et al.* 2012; Rolfe *et al.*, 2013). Since 2014, the citizens of Bulgaria and Romania are allowed to work and live in the UK without restrictions, which raised the question of what impact these changes would have on the British welfare system. Anxiety in many quarters regarding immigrant's perceived heavy dependence on the British welfare system has been the source of substantial debate last year in the public media and among policymakers. Fox *et al.* (2012) found that tabloid media and the state framed the discussion on migration in the UK significantly. Mark Harper, the then minister for immigration, was moved to state in relation to the

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debate: “we are working across government to protect public services and ensure our welfare system is not open to abuse” (BBC News, 2013).

This paper compares the welfare participation among immigrants from the EU and natives with the aim to evaluate whether there is really evidence that immigrants, including those under transitory regimes, were more likely than natives to claim benefit in the UK. By using the Labour Force Survey from the fourth quarters of 2012 and 2013 the benefit claims have been assessed and compared for: Central and Eastern European immigrants from the eight 2004 accession countries (referred to as A8); Romanian and Bulgarian citizens (referred to as A2 immigrants); citizens of the old EU member states (referred to as EU14 immigrants); and UK natives. The results show that A8 immigrants have a lower probability than natives of claiming unemployment benefit or income support. This suggests that those immigrants do not have the intention to “abuse” the British welfare system by avoiding employment but that they are employed in low paid jobs.

Prior to 2004 the ‘old’ EU member states collectively voiced concerns over potential negative consequences of the free movement of people for the labour markets of the receiving countries when eight Central and Eastern European Countries would join the Union (Kancs, 2005). In the case of the UK, the resulting inflow of new migrants was substantial. Overall the percentage of total immigration to the UK accounted for by Central and Eastern Europeans rose from 3% in 1994 to 13.1% in 2009 owing to the two EU enlargements in 2004 and 2007 and the accompanied rights of free movement for citizens within the EU (Dustmann and Frattini, 2011).

Conflicting views on the impact of immigration on welfare participation can be identified in the literature. Dustmann *et al.* (2010) found that immigrants from Eastern Europe are less likely to claim benefit compared to natives, after controlling for individual differences. Yet, Gott and Johnston (2002) concluded that immigrants depend more heavily on the welfare system than natives. Despite the public interest in welfare participation, little research was done on at the welfare participation among A8 and A2 immigrants, apart from Kausar (2011), who argued that the percentage of A8 migrants that claim benefit is higher than the respective percentage for A2 migrants.

In contrast to previous studies, this paper does not look at longitudinal data but examines the benefit claims among immigrants using cross-sectional figures from 2012 and 2013 which means the results are only representative for those years. However previous longitudinal studies in the academic literature have neglected to focus on A2 migration. In this study, binary logistic regression was used to analyse individual-level correlates of any kind of benefit claim among the UK-born population and immigrants, while multinomial logistic regression was utilised to examine the impacts of those variables on different kinds of benefits claimed.

Welfare participation among immigrants

Citizens of the EU member states have the right to work and live within any other member state of the Union. In May 2004, this right was extended by the UK to citizens of Poland, the Czech Republic, Hungary, Slovakia, Slovenia, Estonia, Latvia and Lithuania (A8 countries) which became members of the EU in that year (Drinkwater and Robinson, 2013; Kancs, 2005). Based on the literature on welfare participation, studies concerning immigrants in the UK can be divided into two groups: studies that focus on immigration and the incidence of social welfare claims before the 2004 EU enlargement; and studies which focus on this topic in the post-enlargement period.

Gott and Johnson (2002) looked at welfare participation among immigrants before 2004. They examined the benefit claims of immigrants by using the Labour Force Survey (LFS) carried out in 1999. They concluded that, on average, immigrants are more likely to claim benefit compared to the UK natives, especially when it comes to unemployment and income support benefits (Gott and Johnson, 2002). However, it should be noted that during their analysis they did not distinguish between immigrants from different countries. Hence, no detailed conclusion could be drawn on welfare participation by immigrants from Central and Eastern Europe before the EU enlargement.

The work of Dustmann *et al.* (2010) provides more apposite evidence for the current paper. Dustmann *et al.* (2010) focused their research specifically on Eastern European immigrants who came to the UK after the EU enlargement in 2004. Their findings differ from those of Gott and Johnson (2002) in that they argue that certain immigrant groups are less likely to claim benefit compared to natives. They discovered that, after controlling for differences in demographic variables like age, gender, marital status and ethnicity, the likelihood for A8 immigrants to claim any social benefit is by 13% smaller than for the UK-born (Dustmann *et al.*, 2010).

A UK Government report by Kausar (2011) focused not only on A8 immigrants but also on A2 immigrants. Kausar used the data from the LFS for the years 2004–2009 to compare A8 immigrants, A2 immigrants and natives in their propensity to claim benefits. The share of A8 migrants who claim benefits was found to be greater than for A2 migrants, which seems reasonable given that at that time the former could enter the UK labour market and claim benefit without limitations, while the A2 immigrants were not able to do so before 2014 (Kausar, 2011; Neag, 2012). In addition, Kausar's statistics particularly highlighted that A8 immigrants have a high share of temporary employment. While only 3.7% of natives in 2011 were categorised as temporarily employed, 10.2% of A8 immigrants and 4.9% of A2 immigrants fell under this category. The percentage of unemployment is also higher among natives compared to immigrants from Eastern Europe. It must be taken into account that Kausar only presents descriptive statistics and does not take socio-economic differences among immigrants and natives into account. Furthermore, one of the important limitations of Kausar's study is a small sample size for A2 immigrants.

In terms of the role of benefits as motivational factors, De Giorgi and Pellizzari (2008) have indicated that the possibility to receive potential benefits plays only a minor role in the migration decision process. Also in other studies, the main reason to migrate to a different country is argued to be the prospect of work (Blanchflower *et al.*, 2007). The premier interest of this paper is thus to understand whether the prospect of receiving benefit plays a role in the decision to move to the UK.

The effects of individual differences on benefit claims

There are three categories of factors that have been identified as influencing welfare participation: socio-economic, demographic and cultural (Drinkwater and Robinson, 2011; Dustmann and Frattini, 2011). Without controlling for these differences, no comparable results on welfare participation among different groups can be obtained.

Overall, immigrants from A2 and A8 countries show a younger age profile than the UK born population, as most Eastern European immigrants come to the UK when they are between 18 and 30 years old (Kausar, 2011). Young people are more likely to be economically active compared to older adults, which means that they are less likely to be in need of claiming benefits (Barrett and McCarthy, 2008; Gott and Johnson, 2002; Kausar, 2011).

Immigrants from Central and Eastern Europe who come to the UK include, compared to other immigrant groups, a high proportion of people with a medium or high level of education (Barrett and McCarthy, 2008; Kausar, 2011). Dustmann and Frattini (2011: 4) found that "in 2008-09 the most highly educated immigrant group, relative to natives, were Eastern European immigrants". Overall, the UK has, compared to other European countries, the highest share of highly educated immigrants (Dustmann and Frattini, 2011). The higher the educational level, the smaller the likelihood to receive benefit, because higher educated people are more likely to be in employment and able to support themselves (Barrett and McCarthy, 2008). Drinkwater and Robinson (2011, 2013) identified in their studies that education is the main factor influencing welfare participation, and concluded that investment in human capital will result in a reduction of benefit claims.

On the other hand, the jobs performed by immigrants from Central and Eastern Europe do not correspond to their education level (Rolfe *et al.*, 2013). This finding is underlined by the study of Johnston *et al.* (2015) who found that immigrants from Eastern Europe are noticeably over-qualified compared to immigrants from Western Europe. Most immigrants from the A8 and A2 countries find employment in low paid jobs (Committee on Economic Affairs, 2007). From the existing literature it is not clear what the main reason is that immigrants from Central and Eastern Europe work in jobs that are below their skill level. Some of the justifications that have been suggested include poor recognition of skills and qualifications among UK employers, as well as barriers due to limitations in English language ability. In that regard, the Committee of

Economic Affairs (2007) agreed that it would be necessary to have "better integration of employment and skills services". Furthermore, it has been highlighted that the majority of immigrants from A2 and A8 countries plan to stay in the UK temporarily and therefore apply for jobs that have simple job entry requirements (Rolfe *et al.*, 2013).

The region of residence can also help explain the pattern of benefit claims. There is persistent a North-South divide in the UK: residents of the South of England tend to be economically better off than people living in the North of the country. The former have, on average, higher levels of education, and lower chances of being unemployed (Duranton and Monastirioti, 2002). Thus, people living in the North are more likely to receive benefits compared to people living in the South. Therefore, the North-South distinction has also been included as a control variable in this study¹.

Data and Methods

The data used in the current study comes from the Labour Force Survey (LFS). The LFS is carried out by the Office for National Statistics (ONS) and delivers detailed information on the labour market of the UK. The LFS is carried out quarterly and the specific data used in this paper are from the fourth quarter (October to December) of 2012 and 2013. In order to avoid autocorrelation, the panel features of the LFS were removed for this study meaning that all participants that took part in both quarters of the LFS were dropped.

The survey contains questions about the country of birth, year of arrival in Great Britain or Northern Ireland, and also collects data on other socio-demographic information like age, gender, marital status and ethnicity. The information on welfare participation used in this study was based on the following question: "*In the week ending Sunday the [date], were you claiming any State Benefits or Tax Credits?*" (LFS, Questionnaire for 2012). Respondents answering 'Yes' have been asked to further specify the benefit claimed.

The UK has a complex system of social benefits. In this study, two outcome variables have been taken into account: the claim of any benefit and the claim of a social assistance benefit. Social assistance, also known as welfare benefit, refers to a subset of different types of benefits, namely: income support (IS), jobseeker's allowance (JSA), council tax benefit and housing benefit (Cappellari and Jenkins, 2009). JSA depends on the employment status of an individual and is paid when someone is looking for work, while IS can be classified as a contribution for those on low income who are not eligible for JSA (Dinkwater and Robinsion, 2011). The eligibility for housing benefit depends on the income level and contributes to rent and council tax payments (Cappellari and Jenkins, 2009). An immigrant who wants to claim these types of benefit must be resident

¹ Here, the North encompasses: North East, North West, Merseyside, Yorkshire and Humberside, East Midlands, West Midlands, East of England, Wales, Scotland and Northern Ireland. The South encompasses: London, South East and South West.

in the UK for at least one year before becoming being eligible (Drinkwater and Robinson 2013).

For the purpose of this study, an immigrant is defined as a person whose place of birth is outside the UK (i.e. foreign-born). Therefore, an A8 immigrant was defined as a person that was born in one of the A8 countries and moved to the UK after the EU enlargement in 2004, while an A2 immigrant was defined as a person from Bulgaria or Romania who moved after 2007. EU14 immigrants refer to all immigrants who were born in states that joined the EU prior to 2004. All migrants considered for this study must have lived in the UK for at least twelve months in order to ensure that they are entitled to claim benefit in the UK.

The independent variables have been chosen based on previous studies. Like in Dustmann *et al.* (2010) and Drinkwater and Robinson (2011), age, education, ethnicity, marital status and gender have been included in the analysis. In addition the variable 'region' (North/South) was taken into account. Age has been transformed into categorical variables considering different age bands, starting from 16–19 years, and in five-year intervals thereafter. Education was recoded into low, medium and high levels, based on when the participant left full-time education. Indicator variables for non-White ethnic groups and residence in the South were included to measure regional and ethnical differences in welfare participation.

Logistic regression was used to analyse the welfare participation among immigrants and natives. The purpose of logistic regression is to deal with categorical variables, which is not possible using simple linear regression (Agresti, 2002). Specifically, binary logistic regression was applied to measure effects on any kind of benefit claim among UK born and immigrants, while multinomial logistic regression was used to analyse the type of benefit claimed. The data were weighted using the person level weighting factor provided in the LFS. The limitation of this weighting variable is that it does not take the country of origin into account.

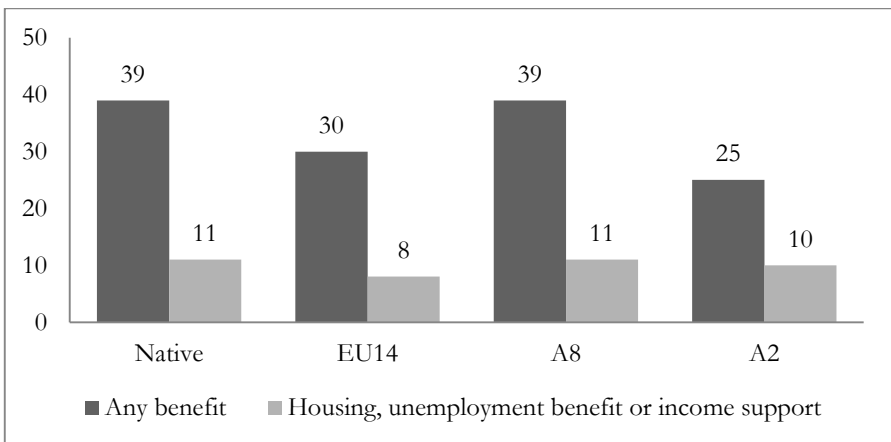
Results

As Table I reveals, the age profile of Eastern European immigrants is relatively young. While 27.5% of A8 immigrants are between 25 and 29 years old, only 9.3% of natives are in this age group. In addition the percentage of highly educated people is substantially higher among all immigrant groups compared to the UK-born population. Among the A2 immigrants only 15% have low education, while the same holds for 46% of natives. The A8 immigrants exhibit a similar pattern to A2 immigrants with respect to having a high proportion of medium or highly educated people. This underlines the findings of other studies indicating that immigrants from Central and Eastern Europe are the most highly educated immigrants in the UK (Barrett and McCarthy, 2008; Kausar, 2011).

Table I: Descriptive statistics: Characteristics of immigrants and natives, 2012–2013²

		Native	EU14	A8	A2	N
Education	Low	0.463	0.198	0.080	0.146	52,716
	Medium	0.274	0.298	0.533	0.495	31,109
	High	0.191	0.435	0.339	0.284	21,728
Place of region	North	0.686	0.428	0.651	0.277	79,178
Ethnicity	Non-White	0.046	0.079	0.031	0.104	4,453
Age groups	25-29 yrs.	0.093	0.139	0.275	0.240	8,962
	55-59 yrs.	0.087	0.059	0.016	0.008	10,518
Marital status	Married	0.498	0.466	0.476	0.602	59,787
Total		108,561	2,199	1,782	227	112,769

Source: LFS, October to December 2012 and 2013

Figure I: Descriptive statistics: Percentage benefit claims among immigrants and natives, 2012–2013

Source: LFS, October to December 2012 and 2013

Figure I shows that the highest percentage of benefit claims is observed for the natives, and the lowest one – for the A2 immigrants; this is likely as A2 immigrants were still restricted in their access to benefits in 2012. The percentage of any benefit claims among all EU immigrants is the highest for A8 immigrants. These findings are underlined by looking at social assistance benefit claims alone. A higher percentage of UK nationals than of immigrants claim social assistance benefit. Again, A2 immigrants have the lowest percentage of such claims.

² Not all age groups are shown in the table for reasons of space. The age groups shown in the table represent the main age group in which migration is likely to take place with an older group included for comparison.

When controlling for individual differences by using the logistic regression model, the welfare participation by immigrant group changes. Table II demonstrates the marginal effects for claiming any benefit and for social assistance benefit; the latter is separated into housing benefit, income support and unemployment benefit. Note that, because of the small sample size, A2 immigrants are excluded from the analysis. When controlling for individual differences, the A8 immigrants have a greater propensity to claim any social benefits than natives. Further, Table II illustrates that A2 immigrants and immigrants from the old EU member states are less likely to claim benefits compared to UK-born nationals. The A2 immigrants are by 7 percentage points less likely than natives to claim benefit, while the A8 immigrants have by 6 percentage points higher likelihood to claim any benefit compared to natives.

Table II: Marginal effects for immigrant groups claiming any state benefit and of social assistance benefit, 2012–2013

	Any Benefit	Housing Benefit	Unemployment Benefit	Income support
EU14	-0.05***	0.06	0.023	-0.08*
A8	0.06***	0.29**	-0.08***	-0.21***
A2	-0.07**			

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Controlling for education, age, region, ethnicity, marital status, gender. All marginal effects were calculated at sample means.

In addition, Table II reveals that the A8 immigrants have a lower probability to claim income support or unemployment benefit in comparison to natives, but a higher probability to claim housing benefits. The average probability for A8 immigrants to claim housing benefit is by 29 percentage points higher than for natives. Being an A8 immigrant decrease the probability of claiming unemployment benefit on average by 8 percentage points. Eligibility to housing benefit depends on the income level, so the higher proportion of A8 immigrants claiming housing benefit reflects their employment in low paid jobs.

From Table III it can be seen that regional disparities explain differences in claiming benefits. Living in the South of England decreases the probability of claiming benefits compared to those who live in the North of the UK. Moreover, being married is associated with a lower likelihood to claim benefit compared to singles, which can be explained by dual incomes that are taken into account for married people calculating in their entitlement for benefits.

Non-White people are more likely than Whites to claim benefits which backs up the findings of Drinkwater and Robison (2011), and Battu and Sloane (2002) that some income discrimination against ethnic minorities is still present. There is evidence that non-Whites still find it more difficult to find a job in the

UK and face higher unemployment than the white population (Battu and Sloane, 2002).

Table III: Selected marginal effects of claiming any state benefit by immigrant group and natives, 2012–2013

	Native	EU14	A8	A2
South	-0.05***	-0.04***	-0.04***	-0.03***
Age group 20-25	0.07***	0.06***	0.08***	0.05***
Medium education	-0.10***	-0.10***	-0.11***	-0.09***
High education	-0.22***	-0.21***	-0.23***	-0.18***
Non-White	0.08***	0.07***	0.07***	0.06***
Married	-0.03***	-0.03***	-0.03***	-0.02***
Female	0.36***	0.31***	0.35***	0.27***

*** $p < 0.01$

Notes: Reference categories: no education, age group 16-19, White ethnicity, male, single, living in the North.

Only selected results are presented. All marginal effects were calculated at sample means.

Table III illustrates that a high and medium level of education is associated with a decrease in the probability of claiming benefits for every migrant group. This confirms the findings of Gott and Johnson (2002: 18), who identified a "positive correlation between educational attainment and economic performance".

Conclusion

The presented findings are not definitive, as they represent a "snapshot" (Dustmann and Frattini, 2011: 15) of the welfare participation in the last quarters of 2012 and 2013, which has been influenced by economic performance in this period. Nevertheless, the analysis of data from the LFS shows that, when no socio-economic differences were taken into account, UK-born population has the highest propensity to claim benefits, and immigrants from Eastern Europe the lowest. However, the socio-economic structures among natives and immigrants differ. Immigrants from Central and Eastern Europe are characterised by a younger age profile than both immigrants from the old EU member states, and the native born population. Moreover, regional differences influence the likelihood to claim benefits. In the South the employment rate is higher, and hence the percentage of benefit claims is lower. Controlling for these individual differences it can be seen that immigrants from the A8 countries have the highest probability of claiming any state benefit, while the A2 and EU14 immigrants are less likely than natives to do so.

Overall, there is no evidence that immigrants come to Britain to receive benefits. Their main aim is to find employment. This is underlined by the findings of the multinomial logistic regression analysis. The A8 immigrants have a lower probability than natives to claim unemployment benefit or income support but a greater likelihood to claim housing benefit. Housing benefit is only accessible for those who have difficulties with paying their rent because they are on low income. The fact that A8 immigrants have a lower probability than natives of claiming unemployment benefit or income support, suggests that those immigrants do not have the intention to “abuse” the British welfare system by avoiding employment and claiming JSA, but that they suffer from being employed in low paid jobs. These findings back up the recommendation of Drinkwater and Robinson (2011, 2013) that investment in human capital is the appropriate way to reduce benefit claims. From a policy perspective improvements in the accreditation of foreign work experience and educational skills could lead to a reduction of welfare payments to immigrants.

Referring back to the liberalisation of the access to the UK labour market for of immigrants from Bulgaria and Romania, based on the analysis for 2012, there was no evidence that the recent changes in status of the A2 migrants in 2014 might have a negative impact on the British welfare system. Data used in this paper show that A2 immigrants have currently a low probability of claiming benefits. Even with the relaxation of the work permissions it is expected that A2 immigrants will perform similarly to A8 immigrants, indicating the need to improve the conversion and recognition of academic skills, and the role of adequate work experience.

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