

Fiscal effects of migration to the UK: Working Tax Credit claimant numbers

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Key Findings

- There are nearly half a million migrants claiming working tax credit in the UK.
- Migrants are at least 20% more likely to be claiming working tax credit than the rest of the population.
- More migrants claim working tax credit than claim all of the main out-of-work benefits together.
- Migrants form a much higher proportion of those claiming working tax credits than of those claiming any out-of work benefit.

Background

A widely reported and often repeated headline is that UK nationals are more than twice as likely to be claiming benefits as foreign nationals.

This is based upon a report published by the Department of Work and Pensions (DWP) last year¹. The [DWP analysis of out-of-work benefits](#) found that in February 2011 over 5.5 million people were claiming DWP working-age benefits, of which 371,000 were estimated to have been non-UK nationals.

Table 1:

<i>thousands</i>	Total	Jobseeker	ESA and incapacity benefits	Lone Parent	Carer	Other Income Related	Disabled	Bereaved
All claimants	5,765.3	1,438.7	2,578.7	613.8	450.4	191.8	406.3	85.8
Non-UK national at time of first NINO registration	371.1	121.7	130.4	53.9	33.5	10.9	14.1	6.5
Proportion of non-UK national claimants	6.4%	8.5%	5.1%	8.8%	7.4%	5.7%	3.5%	7.6%

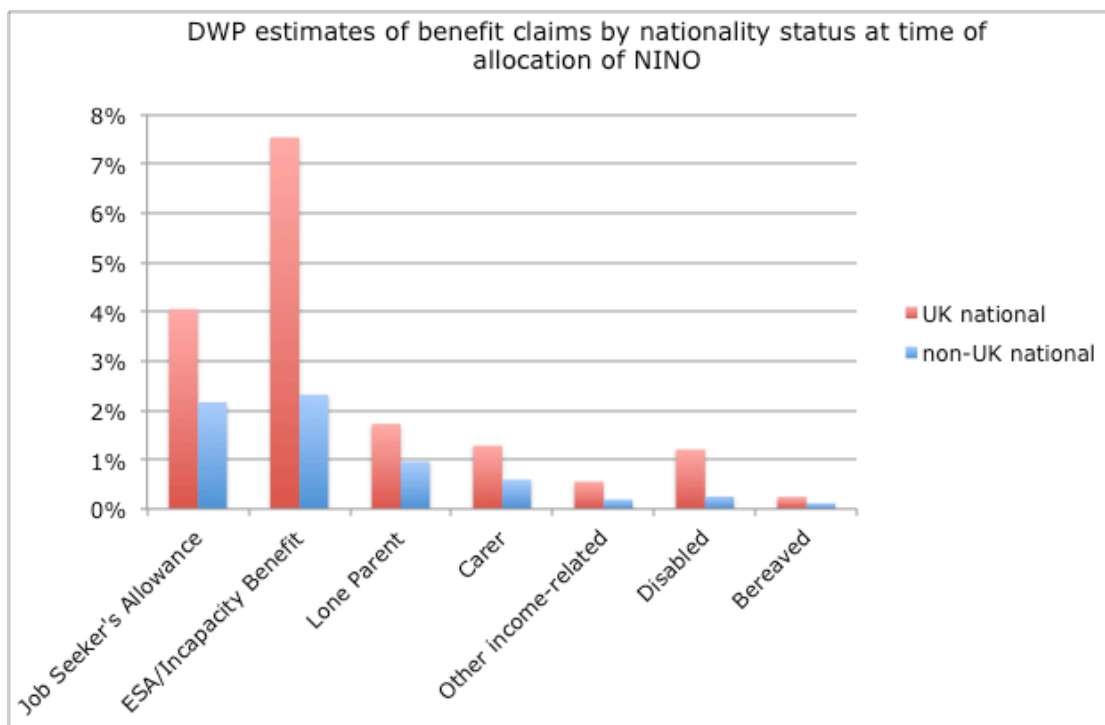
Source: DWP

¹ 'Nationality at point of National Insurance number registration of DWP benefit claimants': Department of Work and Pensions January 2012

The DWP report said that by comparing these figures to resident working age UK population data based on country of birth from the Office of National Statistics (ONS), 16.6% of working age UK nationals could be estimated to be claiming a DWP working age benefit compared to 6.6% of working age non-UK nationals, leading to the published conclusion that UK nationals are around two and a half times as likely to be claiming working age benefits as non-UK nationals.

The likelihood varies by benefit. The chart illustrates the proportion of each group claiming the key DWP benefits as a percentage of their respective populations.

Chart 1:



Source: (data) DWP

This is an important piece of evidence as all previous academic research² appears to use the sample-based Labour Force Survey that relies on respondents reporting claims to benefits, rather than actual data on the number of claims made. However, this analysis does only cover direct DWP non-working benefits. It does not include in-work benefit, nor e.g. child tax credit, housing benefit or pensions.

In-work benefits are primarily personal tax credits administered by HM Revenue and Customs, costing nearly £30bn a year. Tax credits claims tend to involve payment of public money on a long-term basis. The tax credits system is predicated on the assumption that claimants will continue to make a claim year after year, and indeed it is only recently that it has been possible to leave the system.

Working Tax Credit is a key component of tax credits. It is paid to support people in lower-income employment, and in contrast to the short-term payment of Jobseeker's Allowance to those who are out of work, provides on-going and indefinite support for employment at that income level. Claimants with children are further supported with Child Tax Credit paid alongside.

Eligibility to Working Tax Credit extends to people working at least 16 hours a week who are responsible for a child or young person, or receiving a qualifying benefit and having a disability that puts them at a disadvantage of getting a job, or are aged 60 or over. If none of these apply, then anyone will still be eligible for Working Tax Credit if they are aged 25 and over and work at least 30 hours a week.

² e.g. Drinkwater, S. and Robinson, C. (2011), "Welfare Participation by Immigrants in the UK", IZA Discussion Paper No. 6144, Dustmann, C., Frattini, T. and Hills, C. (2010), "Assessing the Fiscal Costs and Benefits of A8 Migration to the UK", Fiscal Studies, 31, 1-41.

Personal tax credits are planned to be replaced by Universal Credit over the next four years, but the relevant eligibility conditions will be largely unchanged.

Methodology and results

There is no consistent or standard identifier of a migrant to the UK used across government, but as this report is intended to complement the DWP report on out-of-work benefits, it uses the same proxy: coding of National Insurance Number (NINO) that indicates allocation to a person who at the time was not a UK national. Some methodological limitations of this are discussed in the DWP report and below.

The DWP report does not actually state the basis for calculation of its estimates. However, examining the results together with the source data referred to (although not referenced) in the report, it can be inferred that the calculations were:

Claimant numbers: UK national at time of NINO issue

Number of working age: UK-born,

compared with

Claimant numbers: non-UK national at time of NINO issue

Number of working age: non-UK born.

Using this simple methodology it is possible to make similar calculations for Working Tax Credit by using UK national status of claimants at time of NINO allocation to identify the numerator and UK birth status amongst those in employment for the denominator.

These calculations may be made on the basis of the following information about the tax credits population and numbers in employment.

- The total number of claims to Working Tax Credit, whether on its own, or in conjunction with Child Tax Credit, from data published by HMRC³.
- The number of claims by non-UK nationals to Working Tax Credit, whether on its own, or in conjunction with Child Tax Credit, from data obtained from HMRC under the Freedom of Information Act⁴.
- The total number of people in employment, and how many of these are non-UK nationals and/or non-UK born, from data published by the Office of National Statistics⁵.

The data provided by HMRC was based on information extracted from the tax credits system in March 2013. As with the DWP report, the information relates to claimants identified as non-UK nationals when they registered for a NINO and will include people who now have UK nationality.

The numbers in employment are taken from the closest matching period of Jan 2013 to March 2013 in the ONS data table *EMP06: Employment levels and rates by country of birth and nationality*.

³ table 2.1 at page 16 of <http://www.hmrc.gov.uk/statistics/prov-main-stats/cwtc-apr13.pdf>

⁴ see table 2 below and Annex

⁵ <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/may-2013/table-emp06.xls>

Table 2:

Claimant numbers <i>thousands</i>	Total	Working Tax Credit only	Working Tax Credit and Child Tax Credit
All claimants	2,454.0	569.0	1,885.0
UK national at time of NINO issue	2,039.4	486.1	1,553.3
Non-UK national at time of NINO issue	414.6	82.9	331.7
Proportion of non-UK national claimants	16.89%	14.57%	17.6%

Source: (data) HMRC

It can be seen from this that the proportion of claimants who were not UK nationals at time of first NINO registration is very much higher than the proportion of claimants for any DWP out-of work benefits in table 1 above.

Table 3:

Number in employment	Total	UK born	Non-UK born
Period Jan-Mar 2013	29,600,419	25,326,340	4,262,343

Source: Office of National Statistics

Putting the two sets of data together following the DWP basis of calculation answers the following questions:

What percentage of migrants who are in employment claim Working Tax Credit?

Claimant numbers: non-UK national at time of NINO issue = 9.73%

Number in employment: non-UK born

This is likely to *understate* somewhat, because the numbers of non-UK born people who have been allocated a NINO as a UK national, for example those who arrived in the UK as children and were naturalised before the age of 16, will have *reduced* the numerator.

What percentage of the rest of the population in employment claims Working Tax Credit?

Claimant numbers: UK national at time of NINO issue = 8.05%

Number in employment: UK born

This is likely to *overstate* somewhat, because the numbers of non-UK born people who have been allocated a NINO as a UK national, for example those who arrived in the UK as children and were naturalised before the age of 16, will have *increased* the numerator.

These calculations, using the same essential methodology as the DWP report, suggest that migrants are – at a minimum – 20% more likely to be claiming this key in-work benefit than the rest of the population.

This is a significant difference in itself, but perhaps more significant in terms of the wider debate on migration bearing in mind the very limited nature of the evidence base presently used in that debate, particularly on the fiscal effects of migration.

Notes on tables

As the data are collected for different purposes over different periods they are not completely aligned.

The ONS data for numbers in employment is an average for the period January-March 2013.

The data for non-UK national claimant numbers was said by HMRC to have been 'extracted from the tax credits system in March 2013'.

The data for total claimant numbers are reported as at 1 April 2013 in a six-monthly series.

Any mismatch between the latter two is significant because they provide the fundamental ratio of migrant claimants to the rest of the population. To check this, the calculations were repeated using the previous term in the reported series instead, for total claimant numbers as at 2 December 2012. The result is that the difference between the proportion of migrants claiming working tax credit and the rest of the population claiming working tax credits increases to just over 25%.

This supports the conclusion that the calculated difference of 20% is likely to be a minimum.

Benefits & Credits
Room 1C/13
100 Parliament Street
London
SW1A 2BQ

XXXXXXXXXXXX
XXXXXXXXXXXX
XXXXXXXXXXXX
XXXXXXXXXXXX

Phone 0207 147 2480

Fax

Email XXXXXXXXXXXXXXXX

Date 16 July 2013
Our ref FOI 1976/13
Your ref

Dear XXXXXXXXX,

Freedom of Information Act 2000

I refer to your request received on 18 June for the following information.

Tax credits

The number of people claiming

1. *Child Tax credit*
2. *Working Tax credit*
3. *both Child Tax credit and Working Tax credit*

with a NINO identifiable as one issued to a person who when they first registered for a NINO were a non-UK national.

Child Benefit

4. *The number of people claiming Child Benefit with a NINO identifiable as one issued to a person who when they first registered for a NINO were a non-UK national.*

I am answering under the terms of the Freedom of Information Act 2000 and for ease of reference I am answering in the same order. For Tax credits the data provided is based on information extracted from the tax credits system in March 2013. For Child Benefit the data provided is extracted from the Child Benefit system in August 2012. The information provided relates to families noted as a non-UK national when they registered for a NINO. These awards will include people who now have UK nationality.

1. Child Tax credit only: - 111, 800.
2. Working Tax credit only: - 82,900.
3. Child Tax credit and Working Tax credit:- 331,700
4. Child Benefit:- 990,000

If you are not happy with this reply you may request a review by writing to HMRC FOI Team, Room 1C/23, 100 Parliament Street London SW1A 2BQ or by e-mail to foi.review@hmrc.gsi.gov.uk . You must request a review within 2 months of the date of this letter. It would assist our review if you set out which aspects of the reply concern you and why you are dissatisfied.

If you are not content with the outcome of an internal review, you may apply directly to the Information Commissioner for a decision. The Information Commissioner will not usually consider a case unless you have exhausted the internal review procedure provided by HMRC. He can be contacted at The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF.

Yours sincerely

XXXXX
Policy Advisor

Information is available in large print, audio and Braille formats.
Text Relay service prefix number – 18001



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