

THE UNBEARABLE LIGHTNESS OF THE FREEDOM OF MOVEMENT: AN ANALYSIS OF THE RELATIONSHIP BETWEEN BREXIT AND IMMIGRATION¹

Lucia Barbone, Erik Longo

1. Introduction

During the campaign for the EU membership Referendum in Britain², a decisive focus was put on EU immigration and its social and economic consequences by both sides³. A particular emphasis was laid on the possibility of regaining control of national borders and solving the issues related to access to welfare benefits. The threat posed by foreigners has strongly influenced the public anti-EU sentiment⁴, more than other factors such as consideration of the potential loss of a national identity⁵. One key message from the poll's result is that migration and the free movement of persons are closely linked to the political and economic destinies of the country.

Therefore, the victory of the 'Leave' side suggests that at least some of the British voters were motivated by anti-immigration feelings⁶, and that the

1 Albeit its unitary conception, Lucia Barbone drafted Sections 4, 5, and 6, while Erik Longo drafted the other Sections.

2 51.9 percent of votes were in favour of leaving the EU. The question of the Referendum was "Should the United Kingdom remain a member of the European Union or leave the European Union?". The referendum turnout was 71.8 percent, with more than 30 million people voting. The details about the results of the Referendum are summarized by Elise Uberoi, *European Union Referendum 2016*, «Briefing Paper», CBP-7639, 2016, <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7639#fullreport>.

3 The campaign groups are described efficaciously by Vasilopoulou (2016).

4 The Eurosceptic message that made the Brexit Leave campaign so effective is clearly linked to electoral successes of populist parties across Europe in recent years. See Hobolt, Tilley (2015).

5 The relationships between European integration and nationalism is well explained by Polyakova, Fligstein (2016), pp. 60-83.

6 The Ipsos MORI "Issues Facing Britain" analysis has consistently found that respondents cite immigration as the most important problem facing Britain in this moment, and the UK membership is an important part of this issue, <https://www.ipsosmori.com/researchpublications/researcharchive/3715/Economist-Ipsos-MORI-March-2016-Issues-Index.aspx>. See also De Vreese, Boomgaarden (2005).

presence of foreigners, especially Europeans, is generally identified as a real threat for the survival of the British economy⁷. Voters perceived a clear link between EU membership and the immigration levels in the country, and they consider leaving the European Union as an opportunity to curb immigration flows and improve general welfare as a result. Surveys clearly show the relevance of this relationship for the vote⁸, but the real determinants of the immigration fear are yet to be understood. More than a year later, almost a third of the population still considers immigration control as one of the three most worrying issues in the UK⁹.

However, after a year of discussions and negotiations on the Brexit deal, an agreement on immigration control has still not been reached, and there is a lack of clarity of what would happen to EU citizens already in the country.

The debate over Brexit has revealed a major problem in any discussion on the effects of the EU's freedom of movement policies, i.e. the lack of accurate data as a basis for the public debate over immigrants' integration in the UK.

Our article tries to address this incomplete awareness through an analysis of the official statistics on immigration to the UK and the related burden for the welfare state. It then shows the likely implications of the Brexit negotiations for the free movement of people.

The paper proceeds as follows. Sections 1 and 2 discuss the events that have led to the Referendum and the issues that were at the centre of the campaign. Section 3 presents data to quantify the presence of EU citizens in the UK. Sections 4 and 5 consider the likely consequences of the Referendum, and analyse the effects of the negotiations for the EU-nationals currently residing in the country, with a particular focus on the welfare of these persons.

2. From the New Settlement for the UK in the EU to the Negotiations of the Withdrawal Deal

The UK's relationship with the European Union has always been difficult¹⁰,

7 Goodwin (2016), pp. 20-25.

8 Eurobarometer, *Standard Eurobarometer 84. Autumn 2015. Public Opinion in the EU*, 2015, *passim*.

9 Ipsos Mori, *What Worries the World?* July 2017.

10 Gifford (2010).

but it has never been as turbulent as in the past three years¹¹. The decision on ‘Brexit’ comes after months of complex negotiations among the EU countries on the migration crisis that has been affecting the ‘old continent’ since 2013¹².

After the 2015 general election the UK Prime Minister, David Cameron, promised to renegotiate the terms of the EU membership, and to announce a Referendum over the new deal¹³. During the European Council meetings in January and February 2016, the PM put on the table the possibility of creating a ‘two speed Europe’, where those Members States that want to integrate further can do so, while those willing to retain autonomy on specific issues would be allowed to do so¹⁴. All of the Member States would still remain part of the Union, and would benefit from its advantages, such as the single market trade deals. One of the most important parts of this proposal was the reform of the free movement, with the restoration of an immigration regulatory system. In a letter sent to the President of the EU Council, Donald Tusk, on 10 November 2015, the PM brought attention to the unsustainable flow of European workers to the UK, and the abuse of the free movement right. He also declared a willingness to reduce the draw that the British welfare system can exert on other European countries. The more differentiated “Europe à la carte” advocated by the UK Prime Minister did not eventually emerge, but the European Commission declared, after the European Council meeting on 2 February 2016, a willingness to amend both Regulation 492/2011 and Directive 2004/38 on the free movement of European citizens¹⁵.

The EU Referendum of 23 June 2016 has stopped these processes, and has opened a new chapter of the relationship between Britain and the EU. After the vote in favour of Brexit, a stormy period of political and economic uncertainty started. The former Prime Minister interpreted the results as a clear message of defeat for his political aims and stepped down from his office. On July 23rd, the Conservative Party appointed a new Prime Minister, Theresa May, and a new Cabinet. The appointment of politicians strongly in favour of Brexit as ministers, such as Boris Johnson, the former Mayor of

11 Curtice (2016).

12 Council on Foreign Relations (2015). See also the introduction at the issue of the «Journal of Ethnic and Migration Studies» by Hampshire (2016).

13 Dagnis Jensen, Snaith (2016), pp. 1-9.

14 Craig (2016).

15 For a comment of the negotiations see Kroll, Leuffen (2016).

London, seemed to call for a fast conclusion of the negotiations necessary to leave the EU, using Article 50 of the Treaty of the European Union (TEU). On December 7th, the UK Parliament voted with a strong majority¹⁶ in favour of the PM's intention to trigger Article 50 of the Treaty on European Union in March 2017. Two months later, on February 8th, the House of Commons backed the government bill on the Withdrawal deal¹⁷, and on March 29th, Theresa May invoked Article 50 and officially started the process of exiting the EU. Then, on June 21st the UK government published a 'Great Repeal Bill', with the official title 'European Union (Withdrawal) Bill' with the aim to repeal the European Communities Act 1972 and provide a UK 'legislative footing' for all EU legislation¹⁸.

The debate then focused on whether the UK should opt for an 'hard' Brexit,¹⁹ i.e. an exit process without compromises on issues such as the free movement of people and the single market, or a 'soft' one, i.e. a solution that would allow the UK to negotiate the membership of the European Economic Area (EEA) and the participation to the single market. The PM was openly in favour of the hard Brexit option, and decided to call for a general election, hoping to obtain a strong majority in Parliament to back the Brexit negotiation process. However, on June 8th 2017, Theresa May lost her parliamentary majority, and could not avoid a 'hung' Parliament. This result has been interpreted as a clear disagreement of the population over the hard Brexit option.

As a consequence, the flow of events remains turbulent and the future uncertain: as of July 2017, the great majority of the population believed that the country was on the wrong track²⁰. After the second round of negotiations, which took place from 17 to 20 of July 2017, the UK and the EU representatives drafted a joint technical note on their positions on citizens' rights²¹. The EU chief negotiator, Michael Barnier, confirmed that there is a 'fundamental

¹⁶ 448 versus 75.

¹⁷ The Government introduced this Bill following a decision of the Supreme Court that an Act of Parliament is required to give notice of the UK's decision to withdraw from the European Union. The decision is: *R (Miller) v Secretary of State for Exiting the European Union* [2016] EWHC 2768 (Admin), <http://www.bailii.org/ew/cases/EWHC/Admin/2016/2768.html>.

¹⁸ Kaithan (2017).

¹⁹ In this situation, the UK could have been leaving the EU with or without a 'free trade agreement' (FTA).

²⁰ Ipsos Mori, July 2017.

²¹ European Commission 2017.

divergence' on how best to guarantee the rights of citizens, the rights of future family members and the exporting of certain social benefits²².

3. The Campaign: Immigration and the Welfare State

Anti-immigration sentiments have been identified as a key variable to understand the reluctance of some countries regarding the EU integration process²³. Indeed, the public debate preceding the Referendum was mainly focused on the three key themes²⁴: i) border controls and immigration, in terms of both flows and admission criteria, ii) the UK Welfare State, in particular the burden produced by benefits to foreigners on the government budget, and on the National Health System (NHS), iii) the law-making process and sovereignty²⁵.

Other factors, such as housing pressure, inequality, and discontent, affected the vote, but the three listed above were the core of the discussion and at the centre of the media's attention. This paper analyses the first two issues, while the third one is left to further research.

3.1. *From immigration control to limitations for the free movement*

During the early 2000s, the British Labour government, together with other Northern countries, embraced a very liberal position for the mobility rights of citizens from the new Member States, the Eastern European countries. While the other EU-15 member states made use of transitional arrangements to manage immigration from these Countries, allowing for restrictions of worker mobility for up to seven years, the UK opted for a complete openness of the borders. As a consequence, the net migration from EU countries quadrupled in 2004 and grew in intensity over the following years. The 2008 economic crisis has surely reduced the mobility flows, but it was not a stopping factor for immigration. Indeed, during the period 2008-2012, EU immigration decreased, but did not collapse to zero (see Figure 1).

22 Herszenhorn et al. (2017).

23 De Vreese, Boomgarden (2005), pp. 59-82.

24 See, for instance: http://www.voteleavetakecontrol.org/why_vote_leave.html; <http://leavehq.com/why.aspx>; ; <https://www.ipsos-mori.com/researchpublications/researcharchive/3748/Concern-about-immigration-rises-as-EU-vote-approaches.aspx>.

25 See *What the papers said: a referendum special*, British Journalism Review, vol. 27(3), pp. 19-23.

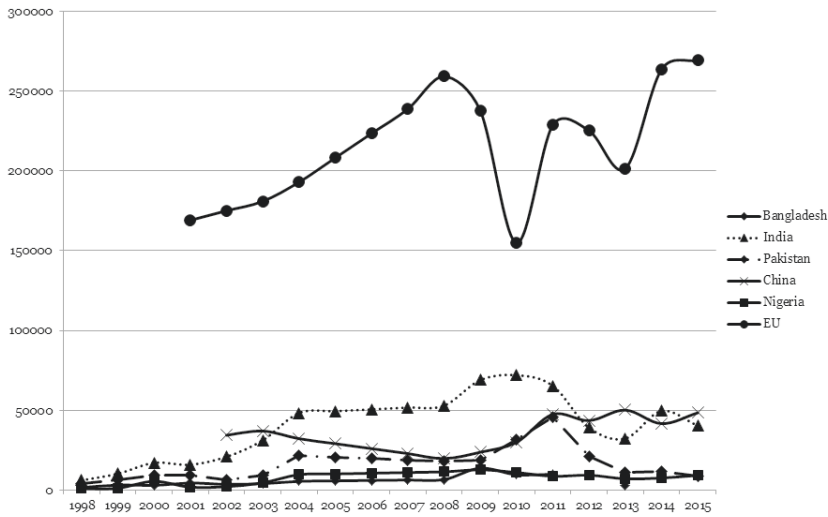


Figure 1: Immigration to the UK.

Source: Authors' own elaboration on Eurostat data.

One of the main drivers for the relocation decision has been identified as the gaps in wage levels and unemployment rates between the EU countries, in particular after the accession of new Member States in 2004²⁶. The freedom of movement acted as a mechanism to cope with such differences, and to respond to economic shocks. Attracted by the promise of higher wages, young generations living in countries with high youth unemployment reached the UK, looking for a job or better earnings. This has also produced many consequences for the population composition and living conditions across Europe, in particular in large cities and the suburbs surrounding them.

An analysis of the British history of the last fifteen years shows that a social and economic disproportion has been produced between the different groups of the population, which have unequally gained from the openness of borders. This is usually considered as the main reason why the UK has completely changed its attitude towards labour migration. Indeed, for migration to have a positive impact and be socially and economically sustainable, it would be necessary for all the strata of the population to perceive the benefits and the potential gains linked to immigration, such as demographic growth and skills acquisition. The legitimacy of the freedom of movement relies on the

²⁶ Portes (2016b). Missing data (2005/2007) was imputed with linear interpolation.

assumption that mobility is beneficial for the “single market” operations and for the EU integration process, as well as for the economy and society of both sending and receiving countries.

Nevertheless, since the early 2000s, Britain has been facing a clash between the strategies for the integration and the admission of new immigrants. The fear of immigration generated the decision to adopt some “fortress policies”, designed to both deter irregular migrants from living in the territories, and to implement strict border-control measures. Since 2010, the UK government has decided to place more emphasis on inland immigration controls and border controls: new measures were implemented to both tighten sanctions in case of expulsion, and to restrict the access of migrants to welfare benefits. The coalition government put unlawful migration at the top of the list of severe issues for the country, and opted for an approach based on deterring, controlling and criminalizing undocumented migrants²⁷. To cope with the concerns related to the large number of unlawful migrants²⁸, in 2012 the government started to consider a change in immigration laws, aiming to both sharpen the expulsion rules and to find deterrents for immigrants either entering or staying in the country. The outcome of these reform processes are the 2014 and 2016 Immigration Acts, which aim to maximise the benefits from migratory inflows, and minimise the costs related to them.

After the victory of the Conservative Party in the 2015 general election, the free movement right of EU citizens, protected by Treaties since the inception of the European communities²⁹, has been put into serious discussion. The government considered the high number of votes for the anti-EU party UKIP as a clear sign of a general disaffection with traditional political parties, and that this was due to a “deadly” combination of Euroscepticism sentiments, anti-immigration feelings, and welfare benefits accession rules³⁰. The fallout of the Referendum should be considered as part of a broader picture regarding the difficulties related to the presence of both lawful and unlawful migrants. Those campaigning for Brexit have long argued that EU membership prevents the government from delivering its pledge to reduce the presence of immigrants.

27 Partos, Bale (2015).

28 Office for National Statistics (2015).

29 Freedom of movement for persons and workers is a founding EU principle safeguarded by EU primary and secondary law: now article 21 of the TFEU and Directive 2004/38/EC.

30 This situation was yet clear after the European elections in 2014. See Treib (2014), pp. 1541-1554.

3.2. *Free Movement and Welfare State*

The freedom of movement of individuals also generates fundamental concerns about the sustainability of the welfare system in those EU countries which receive workers. The open access of foreigners to the labour market clashes with the traditional nature of welfare systems, built on a social and economic pact between different generations, established under the auspices of national sovereignty.

The formation of the social states during the 20th century hinged on the recognition of nation-states as “communities of destiny”³¹, based on a pluralistic vision of human society and on the fair distribution of wealth among each social category. The translation of this view is the development of citizenship as not only civic and political but intrinsically social³². The building of the Common Market and then the mobility of workers among countries have implied a change in the State sovereignty, firstly because it limits the control over the people residing in the territory, and secondly because it forces the Member States to also give access to social benefits to those EU citizens who are in the country for reasons of work or study³³.

During the 2010 election campaign, the freedom of movement became one of the most politicized issues in the UK, and so it is not surprising that those parties against the free mobility of EU citizens obtained a large consensus. The issue that raised the greatest concern in the British public, and gained attention in the political debate, was the possibility of “welfare tourism”, i.e. the relocation of EU citizens to the UK with the purpose of accessing more favourable non-contributory benefits. This, together with rising prices in the housing market, and the overpopulation of semi-urban and rural areas, created the perception of immigration as a public concern. However, it was clear that migration from EU countries, although in smaller figures than immigration from other countries, could not be restricted. The former Home Secretary, Theresa May, announced a plan to reduce net migration to the “ten of thousands” before the end of the parliamentary term. In such a context,

31 As Milward, Sorensen (1993), p. 4 expressed European states embarked on an enterprise of systematic intervention in economic and social life with « the express purpose of shaping and controlling their national destinies. » See also Milward, Brennan, Romero (2000), *passim*.

32 This view derives mainly from the formulation of Thomas Humphrey Marshall in his essay Marshall (1950). For a contemporary discussion of Marshall’s conclusions see: Stephens (2010), pp. 512-525; Dean (2013), pp. 1-18; Garland (2015), pp. 622-628.

33 Giubboni (2006).

the inability to control the admission of EU migrants was blamed as the true source of the British migration problems³⁴.

An attempt to address this situation clearly required a tightening of the rules to access welfare benefits, restrictions on labour market participation, and changes in the freedom of movement for EU workers, and various reforms were implemented in this direction. In 2014, the government changed the removals and appeals system, and prevented the abuse of Article 8 of the ECHR, preventing unlawful immigrants to access benefits and public services. The 2015 general election revealed the need to overhaul the migration system with a reform of the rules around the eligibility of non-British citizens for social benefits. The former PM, David Cameron, used two main strategies to address the problem: first he proposed a list of reforms to the European Council, and then he used this new settlement with the EU partners as a milestone for the campaign to keep the UK in the EU. At the heart of these negotiations, there was the introduction of special restrictions on welfare benefits eligibility for EU workers settled in Britain. On February 19th, the European Council agreed on two main reforms: child benefits could be linked to the conditions of the Member State where the child resides; and changes to Regulation 883/2004, containing social security coordination rules. However, the general commitment towards free movement and anti-discrimination remained untouched during the negotiations. The restrictions proposed acted as an “emergency brake” to work only in a period of mass immigration and not generally as a stable system.

At the European level, the UK has been granted the power to prevent EU citizens from accessing welfare benefits. A judgement of the European Court of Justice ten days before the Referendum (14 June 2016), has acknowledged the power of the British government to restrict access to social security benefits for EU citizens³⁵. This decision was the final step of an infringement procedure by the European Commission against the UK, due to the rules allowing access to child benefits only for EU citizens with a long residence history in the country. The judgment adopts a clear pro-state reading of the EU rules on freedom of movement and access to social benefits, while at the same time sends a message that such rules do not infringe the state’s freedom to regulate access to its social security system.

³⁴ Paul (2016).

³⁵ ECJ, Judgment of 14 June 2016, Case C-308/14, *European Commission v. United Kingdom of Great Britain and Northern Ireland*. For a comment see Costamagna (2016).

From an ex-post perspective, one could say that the attempt to retain the UK in the EU through the concession of some powers, did not work effectively. However, it puts a new focus on the problem of the compatibility between intra-EU mobility rules and the access to national welfare spaces. The Court seemed determined to make its voice heard on such a topic, and to offer a clear-cut response to some of the arguments put forward by the Leave campaign. Nevertheless, the Court should have adopted a more cautious and fine-grain approach. The judgement originates from an infringement procedure directed against benefits established in legislative measures and able to be applied in a wide array of different cases. Therefore, the judges should have avoided giving a Member State such a complete discretion over a topic that is clearly a European-level issue. In the reasoning, there was no reference to the principles of solidarity and EU citizenship, as it was stated in other similar cases.

In any case, both the judgement and the situation created after the Referendum vote show the nature of an issue that is first and foremost political, and only marginally legal. The decision presents some shortcomings and logical fallacies in some paragraphs, as well as a general lack of clarity. These are due to the difficulty to solve an issue conditioned by inter-governmental decisions and political aims.

Indeed, the complications faced by the Court emerged clearly in the following statement: the “need to protect the finances of the host Member State justifies in principle the possibility of checking whether residence is lawful when a social benefit is granted in particular to persons from other Member States who are not economically active”. Despite this statement, the judgement does not contain any evaluation of the costs and benefits of the EU’s free movement regime, and particularly of the burden of this freedom for the societies in both sending and receiving member states.

4. The facts: a data analysis³⁶

This section aims to examine available data on immigration and the welfare state, and to analyse whether the fear of the public opinion on the impact of EU membership on the UK economy are misplaced or not. The main sources of the data used are Eurostat, the UK Office for National Statistics (ONS),

³⁶ See also Barbone, Green, Speckesser, Broughton (2017).

and the UK Department for Work and Pensions (DWP), who publish their databases online.

4.1. Migration Flows

Immigration is an umbrella term that includes groups of individuals living in a country which is different from their country of birth. These individuals might have different characteristics and might be involved in various activities, from unlawful immigrants, to students participating in short or long term courses, to EU citizens living and working in the UK under the protection of the freedom of movement regulation. Official migration flows statistics count all individuals who establish, or intend to establish, their usual residence in a Member State for a period of at least 12 months, having previously been resident in another Member State or a third country³⁷, following the definition provided by Article 2.1(a), (b), (c) of Regulation 862/2007.

Table 1 reports the total migration flows to and from the UK over the period 1998-2014, separated into immigration, emigration, and net immigration. Net immigration is calculated by deducting the emigration figure from the immigration one, and is a particularly interesting figure to examine, since it shows the number of individuals that are actually increasing the baseline population of the country. There has been an upward trend in this figure over time, with a sharp increase after 2012 (see Figure 2). The year with the highest net immigration flow was 2015, with 332,269 net immigrants. The figure is generally higher for those coming from EU countries, when compared to China and the Commonwealth countries, with the only exception of 2010 when net immigration from India was the highest flow.

Table 1: Migration Flows to and from the UK

YEAR	IMMIGRATION	EMIGRATION	NET IMMIGRATION
1998	332390	198934	133456
1999	354077	245340	108737
2000	364367	n/a	n/a
2001	372206	n/a	n/a

³⁷ See International Migration Statistics, http://ec.europa.eu/eurostat/cache/metadata/en/migr_imm_i_esms.htm, July 2017.

2002	385901	305931	79970
2003	431487	313960	117527
2004	518097	310389	207708
2005	496470	328408	168062
2006	529008	369470	159538
2007	526714	317587	209127
2008	590242	427207	163035
2009	566514	368177	198337
2010	590950	339306	251644
2011	566044	350703	215341
2012	498040	321217	176823
2013	526046	316934	209112
2014	631991	319086	312905
2015	631452	299183	332269

Source: Eurostat data. n/a means that data is missing.

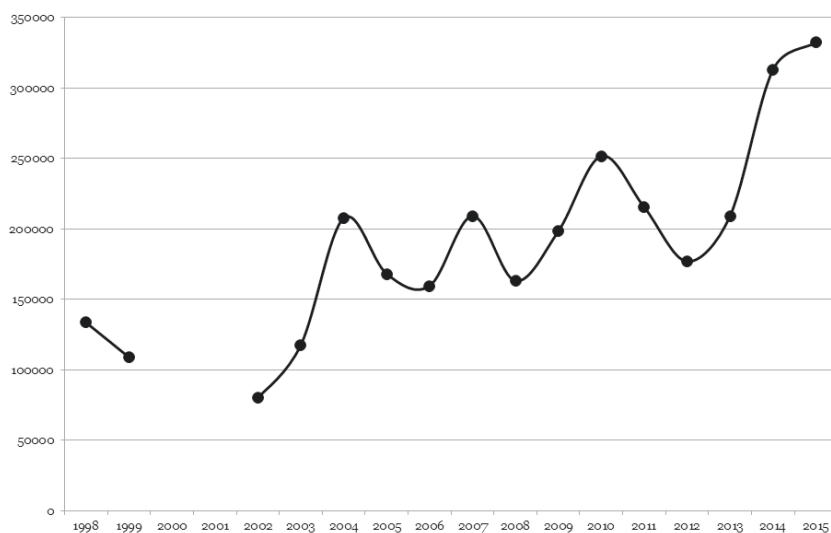


Figure 2: Net immigration to the UK

Source: Authors' own elaboration on Eurostat data.

4.2. Population Analysis

The ONS publishes data on the population in the country, and reports a total of 64,265,000 individuals in 2015 for the United Kingdom, and 58,655,000 for England only. Looking at the data by nationalities, British citizens account for more than 90 percent of the population, while EU nationals for around 5 percent, followed by Asian countries (around 2 percent), other European countries (less than 1 percent), and the rest of the world (1.6 percent). Thus, EU nationals constitute a relevant part of the immigrant population of England (3.2 million), but the proportion is quite low in absolute figures. Total net immigration constitutes less than 0.5 percent of the population, and net immigration from the EU-25 Countries accounts for less than 0.2 percent of the population.

It is also important to note that the statistics do not provide information on the intended duration of stay in the country. Research by the UK Home Office³⁸ has shown that a high number of non-British citizens typically leave the UK after a period of up to four years, and that EU-nationals are less likely to stay permanently in the country, often for work-related reasons. Also, EU immigrants are more responsive to changes in economic conditions in their source country, and are more likely to relocate if the conditions in the home country improve. Therefore, even if EU nationals represent a high percentage of the immigrant population, this figure is likely to be more dynamic and subject to changes than the figures from non-EU countries.

Table 2 reports the ten most common nationalities for the non-British population in the UK, in 2015: seven out of ten nationalities are from the EU. Poland is the most represented nationality (916,000), with a figure that is almost three times the number of individuals from the second most represented nationality (India, 362,000).

Table 2: Most Common Non-British Nationalities in the UK

NATIONALITY	TOTAL (1.000)
Poland	916
India	362
Republic of Ireland	332

³⁸ Home Office (2012).

Romania	233
Portugal	219
Italy	192
Pakistan	187
Lithuania	170
France	165
United States of America	161
China	140

Source: Author's own elaboration on ONS data

The EU population in England can then be further separated into four groups of countries, following the ONS classification:

- EU-14³⁹: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal, Republic of Ireland, Spain, and Sweden.

- EU-8: Czech Republic, Estonia, Poland, Hungary, Latvia, Lithuania, Slovakia, Slovenia.

- EU-2: Bulgaria and Romania.

- Other EU: Malta, Cyprus, and Croatia.

Table 3 reports the EU population in England separated accordingly. The majority of EU nationals originate from the EU-14 countries, but the figures are only slightly higher than for the EU-8.

Table 3: EU Population in the UK, by Group of Countries

	UK	Percent	England	Percent
EU	3159	4.92	2825	5.22
EU14	1426	2.22	1297	2.40
EU8	1412	2.20	1223	2.26
EU2	299	0.47	283	0.52
Other EU	22	0.03	22	0.04

Source: Author's own elaboration on ONS data. Figures are in thousands.

³⁹ Usually, this group is defined as EU-15, since it includes the United Kingdom as well.

The ONS also collects information on the main reasons for the decision to migrate to the UK, grouped as:

- Work Related: people arriving in the UK for employment reasons.
- Formal Study: people arriving in the UK for education purposes.
- Accompany/Join: people arriving in the UK as spouse of a UK citizen or someone relocating to the UK.
- Other: people arriving in the UK to get married, to seek asylum, as a visitor, or for another reason.

Table 4 reports the number of individuals from the four groups of EU countries separated by the main reason for relocation: the main motivation for EU nationals is typically employment, followed by accompanying a spouse. While employment is the main driver for all of the groups, the proportion of individuals indicating this reason relative to the other ones is substantially higher for the EU-8 countries. This is likely to be related to the difficult economic situation of these countries. However, it is not possible to distinguish whether those immigrating for work-related motivations have already received a job offer or intend to look for one upon arrival.

Table 4: Main Reason for Relocation to the UK

	Work Related	Formal Study	Accompany	Other
EU	1490	773	1726	674
EU14	553	207	421	148
EU8	763	79	313	103
EU2	169	20	72	17
Other EU	6	4	8	3

Source: Author's own elaboration on ONS data. Figures are in thousands.

4.3. Benefits Expenditure

Figure 3 shows the National Insurance Number (NiNo) registrations for “overseas nationals” when entering the UK labour market for the first time over the period 2002-2016. This registration is a requirement in order to work, and it allows workers to pay taxes. EU nationals have the highest percentage overall of NiNo registrations (59 percent), showing an increasing trend over time, followed by citizens of Asian countries (22

percent). Interestingly, the EU numbers over the period show a trend similar to the net-immigration figures (Table 1), and this suggests the validity of considering employment as the main motivation for individuals relocating to the UK. Figure 4 shows the percentages of people living in households with very low work intensity, i.e. households where the working age members work less than 20% of their potential working time (as defined by Eurostat⁴⁰). EU nationals have a lower rate than UK citizens and non-EU nationals, and thus show a significantly high rate of participation in the UK labour market in terms of work intensity.

Table 5 reports the number of working-age benefit claimants by type of benefit and nationality: overall, there were around 5,130,000 claimants in the country in 2015. Of these, 93 percent are UK citizens, and only 2 percent are EU-nationals. The most frequent benefits are employment-related, namely the Job-Seeker Allowance (JSA) and the Employment and Support Allowance (ESA), which support unemployed or less-able individuals during the job search process. Of the total benefits distributed by the government, 60 percent are given to UK citizens for this purpose. Figures related to EU-nationals do not seem to suggest that a particularly high proportion of benefits are allocated to them: employment-related benefits account for only less than 2 percent of the total, and other benefits for less than 1 percent. These figures appear particularly low, especially if compared with the corresponding NiNo registration statistics. Furthermore, the different groups of EU countries do not show significant differences in the benefit-claiming behaviour: in particular, EU-14 and EU-8 have similar percentages of claimants. Thus, it seems unlikely that EU-nationals could create a heavy burden for the government budget.

40 See http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Persons_living_in_households_with_low_work_intensity.

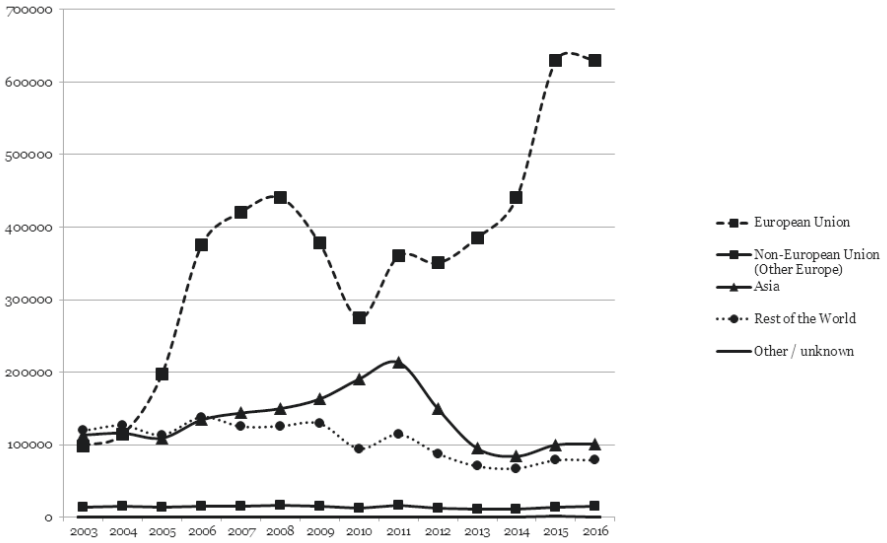


Figure 3: NiNo Registrations
Source: Author's own elaboration on DWP data.

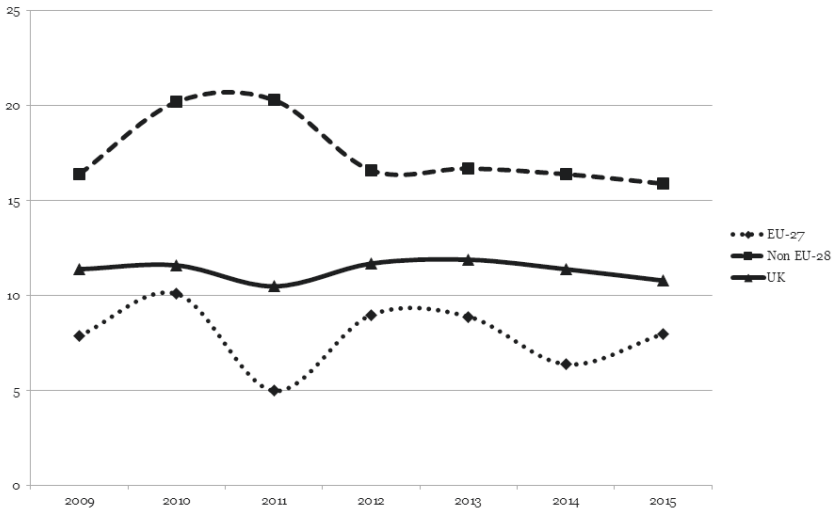


Figure 4: People in household with very low work intensity
Source: Authors' own elaboration on Eurostat data.

Table 5: Working age claimants by nationality and benefit type

NATIONALITY	TOTAL	PERCENT	EMPLOYMENT RELATED BENE- FITS (PERCENT)	NON EMPLOYMENT RELATED BENEFITS (PERCENT)
All	5129.52	100.00	64.70	35.30
UK	4758.3	92.76	59.96	32.80
European Union EU15	55.33	1.08	0.79	0.29
European Union EU8	50.25	0.98	0.70	0.28
European Union EU2	5.1	0.10	0.07	0.03
European Union Other	3.28	0.06	0.05	0.02
Other Europe	17.85	0.35	0.24	0.11
Middle East and Cen- tral Asia	37.89	0.74	0.56	0.18
East Asia	3.44	0.07	0.03	0.03
South Asia	76.54	1.49	0.80	0.69
South East Asia	7.71	0.15	0.08	0.07
Sub-Saharan Africa	72.66	1.42	0.89	0.52
North Africa	13.32	0.26	0.19	0.07
North America	3.52	0.07	0.04	0.03
Central and South America	13.2	0.26	0.17	0.09
Oceania	1.86	0.04	0.02	0.01
Unknown	9.29	0.18	0.12	0.06
Non UK	371.22	7.24	4.74	2.50
	7.2%			0.01

Source: DWP data. Figures in thousands.

In summary, this section has provided an analysis of the available data on migration flows to and from the UK, the reasons driving it, and the access to welfare benefits of the EU-nationals. Migratory flows to the UK show an increasing trend over the last decade, and citizens of some Member States, such as Poland, Ireland and Romania, tend to be over-represented. Nevertheless,

the percentage of EU-immigrants remains relatively small compared to the overall population. The main driver of the relocation decision is work-related, and indeed there are a large number of EU-citizens officially registered for NiNo numbers. Finally, the benefit claim rate of other Member States' nationals constitutes only a small fraction of the overall benefit expenditure, and it is unlikely to generate particular budget issues for the UK government.

5. The Immediate Outcome of the Referendum: the British Economy and a discussion of the Leaving Process

Harsh economic predictions were linked to a Brexit decision by the majority of the experts⁴¹, both in the UK and abroad. S&P, a ratings agency, forecasted that the leave vote would reduce GDP growth by 2.1 percentage points over the period 2016-2018⁴².

Indeed, just after the results were announced, the value of Sterling and the stock exchange were dramatically hit on the markets, due to investors' fears on the economic future of the UK. Sterling dropped to a three-year low of €1.107 in October 2016, and, after rising again over the year, dropped to 1.10 in July 2017. After the initial period of uncertainty though, the UK economy has been shown as being substantially stable over time, with a steady continuous growth of GDP, and the employment rate hitting its highest level (74 percent) since 1971⁴³. However, the impact of the referendum on some key economic indicators will only be observed either later on this year or in the longer term, i.e. after at least some years. These include house prices, the service sector performance, migration flows, investment by insurance companies, pension funds and trusts, and the composition of the population. Thus, it is still too early to assess the true impact of the Referendum on the economy.

Furthermore, the "Leaving" process is still unclear. A number of possible policies and reforms have been discussed, with the publication of some 'white papers' by the government, and immigration has been revealed again as the most important issue on the table: the PM, Theresa May, stressed that

41 For a review, see Armstrong, Portes (2016), pp. 2-6.

42 Source: Lewin (2016); Thomas (2016).

43 Source: *ONS Statistical bulletin, uk labour market* (Nov 2016), <http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/november2016>.

immigration rules and border controls were more important to the country than obtaining access to the EU single market. One of the main objectives of the Conservative Party is to avoid foreigners taking “jobs that British people could do”, said the PM, and to reduce immigration to so-defined “sustainable” levels⁴⁴.

These proposed new policies might be counterproductive for the British economy, as various experts have suggested over the past weeks. Indeed, Broughton et al. (2016)⁴⁵ have shown that there is no evidence of immigrants ‘stealing’ jobs from UK workers, and that EU applicants tend to be more successful in some jobs due to a lack of motivation and skills in British applicants. Therefore, a reduction in immigration flows to the UK, due to either new rules or a perception of an unwelcoming environment, might be damaging for many sectors. It can also reduce economic growth, since immigration flows can increase the size of the economy, creating new jobs and increasing national GDP. Indeed, recent research⁴⁶ has shown that the displacement effect of British nationals due to immigration is quite small in magnitude, and that it dissipates over time: the labour market tends to expand over time, and adjusts to the new workforce availability.

6. The likely consequences of the Referendum: a long journey to find new approaches to EU-integration and immigration

The dynamics of the Referendum process clearly show a drastic shift in the perception of migration and the role of immigrants for both the economy and society. It is difficult to identify one factor as the main cause of such a change, since many are likely to have contributed to it: the increase in house prices, the 2008 economic crisis and the cut in government spending that followed it, the numerous terrorist attacks which have happened over the past ten years, and many others, including sociological and psychological determinants. What is certain is that this change has happened, and that nowadays immigrants are considered by both the population and the UK government more as an issue to be solved rather than as an asset for the country. Indeed, the last ten years have seen an increase in regulations on border controls, and various attempts

44 Mance (2017).

45 Broughton, Adams, Cranney, Dobie, Marangozov, Sumption (2016).

46 Home Office (2014), Home Office.

to limit access to welfare benefits from non-British citizens, even though the data illustrated show that EU nationals do not constitute a particularly high burden for UK public expenditure, while they contribute to the economy with their spending and with more than £3bn in taxes⁴⁷.

The Brexit decision has also raised new questions and issues related to EU integration, and the aim of an “ever closer Union”⁴⁸. It is indeed the first case in the history of this Union of a country deciding to opt out. This will inevitably have consequences, not only for the nature of the EU but also for the protection of the fundamental rights of European citizens⁴⁹.

This is strictly related to the yet-to-be-defined shape of the relationship between the UK and the EU. On this side, the possible options are a number of ‘fixed-price’ menus as illustrated by the Economist⁵⁰, some of which are not currently discussed on the media. The first option is a full-EU membership, with a rejection of the Referendum results. The second and third options are models of quasi-integration, such as those followed by Norway, Iceland, and Liechtenstein, and Switzerland, which are part of the European Economic Area (EEA) or the European Free Trade Association (EFTA). These two models require the acceptance of all the four freedoms of movements, including people, a full contribution to the EU budget, and limitations in terms of the law-making process. However, the new PM has already made clear that these models will not be considered as a good enough solution for the UK⁵¹. Not surprisingly, this is mainly related to the strong willingness of the government to obtain complete control over immigration inflows, and to refuse the freedom of movement that those models would impose. Other options are the Turkish model, with a custom union for specific goods, or trading under the WTO terms, with the consequent difficulties related to the setting up of trade tariffs. These options are likely difficult to be defined and implemented, and could cause harm to the UK economy, since they could prevent the UK to access free-trade deals with third countries.

Thus, a new model will need to be developed over the next two years, and this will also inevitably shape the structure of the rest of the EU itself.

Furthermore, the UK will need to develop a new internal approach to im-

47 Portes (2016c).

48 Craig (2016), p. 12.

49 Alston, Weiler (1998).

50 The Economist (2017).

51 Pisani Ferry, Rottgen, Sapir, Tucker, Wolff (2016).

migration, compatible with both the standards of the Western Nations, and with the concerns of the population. As Portes has recently noted⁵², the government could opt for a “light touch” system, with a cap on numbers and limits to benefits access. However, this seems unlikely considering the increasing trend of immigration controls that have characterised the country for the last decade. At the other extreme, the same rules currently applied to non-EU immigrants might be extended to EU-nationals as well. The only certainty is that some degree of selectivity will be applied, but this might discourage immigrants from trying to reach the country. Also, higher levels of selectivity might leave important economic sectors with a shortage of skills and workers, while, as our data analysis has shown, the likely reduction of benefits expenditure for EU-nationals will not save a substantial amount of economic resources. Over the next few years, both the UK and the EU will face dramatic changes, both economically and politically, and these will have a profound impact on the destinies of each country, as well as of the Union. To maintain internal cohesion and unity, either within the country or in the EU area, Euro-sceptic sentiments and anti-immigration feelings will need to be addressed in a way that public opinion would find convincing.

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