

Incentives for Polish Migration

Summary

1. There is a significant financial benefit for Polish nationals to migrate to the United Kingdom in search of work. Even modest savings would allow Polish workers on the minimum wage in the UK to save what they would earn in an entire year at home. The much higher benefits for families in the UK compared to Poland will also act as a significant pull factor.

Poland is the major source of migrants to the UK but similar considerations apply to the other new Eastern European members of the EU, known as the A8. Any significant increase in A8 migration would undermine the government's efforts to reduce net migration to the 'tens of thousands' by the end of this Parliament.

Polish Population in the UK

2. Following Polish accession to the European Union in 2004, a large number of people migrated from Poland to the UK in search of work. The new EU nationals were free to come to the UK to work as a result of the previous government's decision not to impose transitional controls; only the UK, Ireland and Sweden opened their labour markets immediately. The Annual Population Survey estimated that in 2010 there were 550,000 Polish born residents in the UK¹ In 2004 there were just 95,000.²

3. The vast majority of Polish nationals who migrated to the UK did so in search of work. The profile of A8 migrants shows that they are disproportionately young compared to the UK population, they are relatively highly educated, and have higher rates of participation in the labour market.

4. Unemployment in Poland at the time of accession was close

to 20%. Following accession the unemployment rate fell quite rapidly to about 10% in 2006. Those who migrated to the UK in 2004 must have been influenced by high unemployment but that will have been a less important factor after 2006. Although unemployment has risen somewhat in Poland since the onset of the recession, it remains at about 10%, just below the EU average.³

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5. This reduction in unemployment suggests that a major driver of more recent Polish migration has been the considerably higher standard of living in the UK and the potential to make savings in the UK which translate into significant sums of money in Poland. Anecdotal evidence suggests that single workers often live in multiple occupancy housing as a means of keeping costs down; most migrants from the A8 plan to stay in the UK for less than four years and do not see their move as permanent.⁴

Financial Incentives of Migration to the UK for Single Workers

6. In the UK, a single person earning the minimum wage will take home £254 per week after tax but including benefits. (See Annex A) This is an annual income of just over £13,200. If Polish workers were to make a modest saving of 20%, they would be saving about £50 per week. Yet this weekly saving is the equivalent of around 250 Polish Zloty at the current exchange rate – roughly what a worker would earn in a week in Poland on the minimum wage. (See Annex B)

Financial Incentives of Migration to the UK for a Family of Four

7. An individual in the UK who has a dependant spouse and two children, earning the minimum wage would receive a weekly income, including benefits, of £543, or annually just over £28,200. (See Annex A) Again, if a Polish family made a 20% weekly saving, this would equate to around £110 which is

worth 540 in Polish Zloty. In Poland, a person in the same circumstances would have a weekly income of 375 Zloty (after tax and including benefits). (Annex C) Thus, if they could save 20% of their earnings in the UK, they would be saving almost one and a half times what they would have earned in Poland.

Higher standard of living in the UK

8. Aside from the savings that can be made in the UK which translate into significant sums of money in their native Poland, a family is able to enjoy a far better standard of living in the UK than at home. In order to compare wages across countries, Purchasing Power Parity (PPP) data has been used which allows for the different costs of living. (See Notes)

9. In Poland a family on the minimum wage would have a weekly income of 375 Zloty. Once the differing costs of living have been accounted for, this is the equivalent of around £145. In the UK, the same family on the minimum wage would have a weekly income of £543 which is almost four times what they would earn at home. Even a family which had been in the favourable position of being on the average wage in Poland would still be able to increase their standard of living significantly. At home they would have a weekly income of around 615 Zloty. Once the differing costs of living have been accounted for, this is the equivalent of around £235. In the UK however, their income on the minimum wage would be £543 or almost two and a half times as much as they would receive at home. (Annex D)

Annex A

Minimum Wage Household Incomes in the UK

| GBP | Total household income at min. wage | |
|-------------------------------|-------------------------------------|--------------------|
| | SinglePerson | CoupleTwo Child |
| Gross earnings | 213 | 213 |
| Income Tax | 18 | 18 |
| National Insurance | 11 | 11 |
| Net weekly income | 184 | 184 |
| Working Tax Credit | 17 | 53 |
| Child Tax credit | 0 | 99 |
| Child Benefit | 0 | 34 |
| Total direct benefits | 17 | 186 |
| Housing Benefit | 53 | 161 |
| Council Tax Benefit | 0 | 12 |
| Total housing benefits | 53 | 174 |
| Total Income per week | 254 | 543 |
| Total Annual Income | 13218 | 28241 |
| Savings of 20%Zloty | 51 251 | 109 540 |

Source: DWP Tax Benefit Model

DWP Tax Benefit Model is based on a selection of hypothetical families. The family lives in a local authority or privately rented property appropriate to its size and pays average amounts of rent and council tax for the 2010/2011 financial year.

Annex B

Household Income of a Single Person in Poland on the Minimum Wage in Polish Zloty and converted to £s

| Single Adult on Minimum Wage in Poland after Tax and including Benefits | | |
|---|--------------|--------|
| | Polish Zloty | |
| | Annual | Weekly |
| Gross Income | 18061 | |
| Minus Income Tax | 801 | |
| Minus Social Contributions | 3879 | 257 |
| Household Net Income | 13381 | |
| Household Net Income in £s | £s | |
| | 2699 | 52 |

Based on exchange rate

Annex C

Household Income of an individual with a dependant spouse and two children in Poland on the Minimum Wage in Polish Zloty and converted to £s

| Individual with Dependant Spouse and Two Children on Minimum Wage after Tax and including Benefits | | |
|--|--------------|--------|
| | Polish Zloty | |
| | Annual | Weekly |

| | | |
|-------------------|--------------|------------|
| Gross IncomeMinus | 18061 | |
| Income TaxMinus | – | |
| Social | 3879 | |
| ContributionsPlus | 1908 | |
| Family Benefit | 3390 | |
| Plus Housing | 19480 | 375 |
| Benefit | | |
| Household Net | | |
| Income | | |
| Household Net | | |
| Income in £s | 3930 | 76 |

Based on exchange rate

Annex D

Comparison of household incomes in Poland and the UK

| | Total Household Income of a two child sole worker family After Tax and Inc. Benefit | | | | | | |
|--------------|---|--------------|-----------------------------|--------------|---------------------------|--------------|-------------------|
| | Working in Poland | | | | | | Working in the UK |
| Net | Polish Zloty | | Converted to US\$ using PPP | | Converted to £s using PPP | | £s |
| | Average Wage | Minimum Wage | Average Wage | Minimum Wage | Average Wage | Minimum Wage | Minimum Wage |
| AnnualWeekly | 32017616 | 19480375 | 17976346 | 10937211 | 12169234 | 7404143 | 28241543 |

Sources:

Based on Purchasing Power Parity for Actual Individual Consumption Data from OECD, 2010: Poland – 1.781125 UK – 0.676954

Exchange Rates (OANDA, as at 29/3/2012):£1 = 4.95731 Polish Zloty €1 = 4.15008 Polish Zloty

Eurostat data on minimum wage earnings

Average Wage Earnings, Polish Statistics Authority

Tax and Benefit Data extracted using OECD Tax-Benefit Calculator

Notes

Polish Household Incomes

The OECD Tax-Benefit Calculator has been used to calculate the approximate take home pay of an individual in two scenarios in Poland, a single worker with no dependants and a worker with a dependant spouse and two children. Calculation is based on a salary of 18,061 Zloty, due to restrictions with OECD Calculator. The minimum wage, derived from EUROSTAT data, is slightly lower at 16,756 Zloty.

Purchasing Power Parity

Purchasing Power Parity (PPP) data adjusts for the differing costs of living in two countries which simple exchange rate mechanisms cannot account for. PPP therefore compares household incomes in different countries after taking account of the different costs of living.

OECD Data

Data from the OECD Tax-Benefit Calculator is based on data from 2010 and is the latest available.

1 Office for National Statistics, Population by Country of Birth and Nationality, April 2010 to March 2011, Table 1.3, URL:

<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-235204>

2 Office for National Statistics, Population by Country of Birth and Nationality, 2004, Table 1.3, URL:<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-219257>

3 Eurostat News Release 176/2011, 30 November 2011,

URL:http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-30112011-BP/EN/3-30112011-BP-EN.PDF

4 International Passenger Survey, Table 3.17 Intended Length of Stay by country of last or next residence.