



## Incentives for Romanian and Bulgarian Migration to the UK

### Summary

1. Even at the minimum wage in Britain there are very strong financial incentives for Romanians and Bulgarians to migrate to the UK, especially as wages here are topped up by substantial in-work benefits. Take home pay (including benefits) for a single worker is four or five times higher and for families eight or nine times higher than at home, after taking account of differences in the costs of living. This incentive is roughly double that available to Polish workers in 2012. There are also, of course, opportunities for considerable financial savings – a key driver of Eastern European migration. Such savings go much further in their home countries than they would, for example, in Poland. These incentives would be far higher for the Roma, many of whom receive no benefits in Romania, if they were to migrate to the UK.<sup>1</sup> With the success of the Polish workers well known to them, it is hard to imagine that the UK would not prove an attractive prospect, especially given current economic conditions in Spain and Italy. The potential for work in Germany and the Netherlands will only partially offset these very strong pull factors.

### Introduction

2. This paper examines the economic incentives for Romanian and Bulgarian workers to come to the UK for work on the minimum wage. Efforts to lift low paid British workers out of poverty have resulted in substantial “top ups” to the minimum wage. The same uplifts are available to EU citizens and greatly enhance the incentives to migrate. The calculations in this paper are adjusted for the differences in costs of living.

### Romanian and Bulgarian Nationals in the UK since Accession in 2007

3. In 2007, when Romania and Bulgaria joined the European Union, transitional controls limited access to the labour market. Workers were only allowed to come to the UK under certain employment schemes such as the Seasonal Agricultural Workers Scheme (SAWS) which allocated around 20,000 permits per year for agricultural workers. Students, the self-employed and the self-sufficient had an immediate Treaty right to come to the UK to study, work and live.

4. At present there are an estimated 94,000 Romanians and 47,000 Bulgarians living in the UK.<sup>2</sup>

5. From 1<sup>st</sup> January 2014 transitional controls will end and Romanian and Bulgarian citizens will have full access to the labour market.

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1 Many Roma in Romania and Bulgaria are unable to access social welfare because they do not have a national insurance number. National Insurance numbers can only be allocated to people who have a fixed abode.

2 Annual Population Survey, <http://www.ons.gov.uk/ons/.../august-2012/population-by-country-of-birth-and-nationality-datasets.xls>

6. The government has been reluctant to publish an estimate of the number of people who will come to the UK once transitional controls end in 2014. We have estimated that a total of 50,000 Romanians and Bulgarians will come to the UK each year for the next five years.<sup>3</sup>

## Financial Incentives of Migration to the UK for Romanians

### (a) Standard of living

7. Nationals of the two accession countries are able to enjoy a standard of living in the UK far higher than in their native countries. Purchasing Power Parity (PPP) data can be used to compare wages across countries by taking into account the differing costs of living.<sup>4</sup>

8. A single person in Romania on the minimum wage would have a weekly income of 164 Romanian New Lei. (Table 2) Once the costs of living have been accounted for, this is the equivalent of £55. A single person in the UK on the minimum wage would have a salary of £254 (Annex A) which is four and a half times more than can be earned at home. (Table 1)

9. In Romania a family of four (an individual with a dependant spouse and two children) on the minimum wage would have a weekly income of 208 Romanian New Lei. (See Table 2) Once the cost of living has been accounted for, this equates to £70. (See Table 3) In the UK the same family would have an income of £543 (See Annex A), which is almost eight times what they could earn at home.

10. A family on the *average* wage would have a weekly take home pay of 420 Romanian Lei. (Table 2) Once the costs of living have been accounted for this is the equivalent of £141, so the family on the minimum wage in the UK would earn almost four times the average wage at home. (Table 3)

Table 1. Comparison of Household Incomes of Single Workers in Romania and the UK

	Working in Romania						Working in the UK
	Romanian New Lei		Converted to US\$ using PPP		Converted to £ using PPP		£s
	Average Wage	Minimum Wage	Average Wage	Minimum Wage	Average Wage	Minimum Wage	Minimum Wage
Annual	19915	8505	9858.911	4210	6696	2860	13218
Weekly	383	164	190	81	129	55	254

3 Migration Watch UK, Immigration from Romania and Bulgaria, Briefing Paper No 4.17, 16<sup>th</sup> January 2013, URL: <http://www.migrationwatchuk.com/briefingPaper/document/287>

4 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 differing costs of living. Based on PPP for 2010 – UK – 0.679219, Romania – 2.02, Bulgaria – 0.81.

Table 2. Household Incomes of Single Person on Minimum Wage, Family of Four on a Minimum Wage and on an Average Wage in Romania in Romanian New Lei and converted to £s

	Single Adult on Minimum Wage in Romania after Tax and including Benefits		Individual with Dependant Spouse and Two Children on Minimum Wage after Tax and including Benefits		Individual with Dependant Spouse and Two Children on Average Wage after Tax and including Benefits	
	Annual	Weekly	Annual	Weekly	Annual	Weekly
	Romanian New Lei					
Gross Income	11442		11442		28147	
Minus Income Tax	1049		473		3415	
Minus Social Contributions	1888		1888		4644	
Plus Family Benefit	0		1728		1728	
Household Net Income	<b>8505</b>	<b>164</b>	<b>10809</b>	<b>208</b>	<b>21816</b>	<b>420</b>
	£s					
Household Net Income £s	<b>1681</b>	<b>32</b>	<b>2136</b>	<b>41</b>	<b>4311</b>	<b>83</b>

Table 3. Comparison of Household Incomes of Families in Romania and the UK

	Working in Romania						Working in the UK
	Romanian New Lei		Converted to US\$ using PPP		Converted to £ using PPP		£s
	Average Wage	Minimum Wage	Average Wage	Minimum Wage	Average Wage	Minimum Wage	Minimum Wage
Annual	21816	10809	10800	5351	7336	3634	28241
Weekly	420	208	208	103	141	70	543

### (b) Opportunities for saving

12. The opportunity to save money is a major driver of immigration. A 20% saving of a single worker's weekly wage would save £50. On the current exchange rate £50 is worth the equivalent of 250 Romanian New Lei,<sup>5</sup> equivalent of one and a half times the weekly minimum wage (164 Lei) at home.<sup>6</sup>

13. An individual in the UK with a dependant spouse and two children earning the minimum wage will take home £543 per week after tax and including benefits or £28,241 per year. (See Annex A) If the family made a 20% saving of their weekly income they would save £109 per week or 552 Lei; this is over two and a half times their weekly take home income (208 Lei) in Romania.

5 Exchange Rate as at 07/02/2013 – 1GBP = 5.06 RON

6 In Romania the minimum wage is 8,509 RON per annum (£1,690). The calculations in Table 2 are based on earnings of 11,442 RON (£2,261) per year, which is 2933RON (£580) more than the minimum wage. This figure has been used due to restrictions with the OECD Tax Benefit Calculator.

## Financial Incentives of Migration to the UK for Bulgarians

### (a) Standard of living

14. A single adult Bulgarian on the minimum wage in the UK would take home £254 or five times his wage at home which is worth £49 once the cost of living is accounted for.(Table 4)

15. In Bulgaria a family on the minimum wage would have a weekly income of 74 Bulgarian Lev. (Table 5) Once the cost of living has been accounted for, this is equal to £62. (Table 6) In the UK the same family would have an income of £543, which is almost nine times what they could earn at home.

16. A family on the average wage would have a weekly take home pay of 156 Bulgarian Lev. (Table 6) Once the costs of living have been accounted for this is the equivalent of £131, so a family on the UK minimum wage would earn four times the average wage in Bulgaria. (Table 4)

Table 4. Comparison of Household Incomes of Single Workers in Bulgaria and the UK

	Working in Bulgaria						Working in the UK
	Bulgarian Lev		Converted to US\$ using PPP		Converted to £ using PPP		£s
	Average Wage	Minimum Wage	Average Wage	Minimum Wage	Average Wage	Minimum Wage	Minimum Wage
Annual	7270	3004	8975.309	3709	6096	2519	13218
Weekly	140	58	173	72	117	49	254

Table 5. Household Incomes of Single Person on Minimum Wage, Family of Four on a Minimum Wage and on an Average Wage in Bulgaria in Bulgarian Lev and converted to £s

	Single Adult on Minimum Wage in Bulgaria after Tax and including Benefits		Individual with Dependant Spouse and Two Children on Minimum Wage after Tax and including Benefits		Individual with Dependant Spouse and Two Children on Average Wage after Tax and including Benefits	
	Bulgarian Lev					
	Annual	Weekly	Annual	Weekly	Annual	Weekly
Gross Income	3798		3798		9190	
Minus Income Tax	334		334		808	
Minus Social Contributions	459		459		1112	
Plus Family Benefit	0		840		840	
Household Net Income	<b>3004</b>	<b>58</b>	<b>3844</b>	<b>74</b>	<b>8110</b>	<b>156</b>
	£s					
Household Net Income £s	<b>1329</b>	<b>26</b>	<b>1701</b>	<b>33</b>	<b>3588</b>	<b>69</b>

Table 6. Comparison of Household Incomes of Families in Bulgaria and the UK

	Working in Bulgaria				Working in the UK		
	Bulgarian Lev		Converted to US\$ using PPP		Converted to £ using PPP		£s
	Average Wage	Minimum Wage	Average Wage	Minimum Wage	Average Wage	Minimum Wage	Minimum Wage
Annual	8110	3844	10012	4746	6801	3223	28241
Weekly	156	74	193	91	131	62	543

### (b) Opportunities to save

17. A 20% saving of a single worker's weekly wage would save £50. On the current exchange rate £50 is worth the equivalent of 113 Bulgarian Lev.<sup>7</sup> This is twice the minimum wage (58 Lev) in Bulgaria.<sup>8</sup>

18. Similarly, a family of four which saved 20% of their weekly income in the UK (£108), would be saving over three times what they would earn in one week at home (£33). (Table 5)

### Comparison of the cost of living in Poland and the UK

19. The economic benefit for Romanian and Bulgarian families migrating to the UK is roughly double that for a Polish family. A similar study of Polish incentives to migrate in 2012<sup>9</sup> found that a Polish family on the minimum wage were able to enjoy a standard of living four times higher than a family on the minimum wage in Poland. Moreover, savings of 20% of a UK minimum wage were roughly the same as a week's minimum wage at home. Single workers in the UK are able to enjoy a standard of living two and a half times higher than in Poland.<sup>10</sup> This may explain why immigration from Eastern Europe remains high – in the year ending March 2012, 70,000 citizens of the A8 moved to the UK, 36,000 left, giving a net migration figure of 35,000.<sup>11</sup>

### Conclusion

20. The financial incentives to migrate to the UK from both Bulgaria and Romania are very strong, much more so than in the case of Poland. Even allowing for the different costs of living, a single Romanian or Bulgarian worker on the minimum wage in the UK would earn four or five times what he or she would earn at home. A family on the minimum wage would be almost nine times better off in the UK than in Bulgaria once the cost of living is taken into account and eight times better off than in Romania. Even a family earning an average wage in Bulgaria and Romania could be three or four times better off if working in the UK at the minimum wage. There would also be considerable opportunities for financial savings – a key driver of migration from Eastern Europe.

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7 Exchange Rate as at 07/02/2013 – 1GBP = 2.26 BGN

8 In Bulgaria the minimum wage is 3,247 BGN per year (£1,441). The calculations in Table 5 are based on earnings of 3,798 BGN (£1,681) per year, which is 551 BGN (£244) more than the minimum wage. This figure has been used due to restrictions with the OECD Tax Benefit Calculator.

9 Migration Watch UK, Incentives for Polish Migration, Briefing Paper 4.15, 3 April 2012, URL: <http://www.migrationwatchuk.com/briefingPaper/document/257>

10 A single worker on a salary just above the minimum wage in Poland would have a weekly income of 257 Zloty. Once the costs of living have been accounted for this is the equivalent of £98 (PPP - Poland, 1.781125 and UK, 0.679219). This is two and a half times less than the weekly income of £254 on the minimum wage.

11 ONS, Migration Statistics Quarterly Report, November 2012, See here: [Excel](#)

**Annex A**

GBP	Total household income at min. wage	
	Single Person	Couple Two Child
Gross earnings	213	213
Income Tax	18	18
National Insurance	11	11
<b>Net weekly income</b>	<b>184</b>	<b>184</b>
Working Tax Credit	17	53
Child Tax credit	0	99
Child Benefit	0	34
<b>Total direct benefits</b>	<b>17</b>	<b>186</b>
Housing Benefit	53	161
Council Tax Benefit	0	12
Total housing benefits	53	174
<b>Total Income per week</b>	<b>254</b>	<b>543</b>
<b>Total Annual Income</b>	<b>13218</b>	<b>28241</b>
<b>Savings of 20%</b>	<b>51</b>	<b>109</b>
<i>Bulgarian Lev</i>	<i>115 BGN</i>	<i>246 BGN</i>
<i>Romanian New Lei</i>	<i>258 RON</i>	<i>552 RON</i>

## **Annex B**

### **Child benefit:**

Child benefit for 2 children in the UK is worth £33.70 per week (£20.30 per week for the first child and £13.40 a week for the second).

This is the equivalent of 171 Romanian Lei. In Romania a single person on the minimum wage will have a take home income of 164 Lei after tax. So child benefit for 2 children is the equivalent of a week's wages on the minimum wage.

This is the equivalent of 76 Bulgarian Lev. In Bulgaria a single person on the minimum wage will have a take home income of 58 Lev after tax. So child benefit for two children is much more than a week's wages on the minimum wage.

### **Unemployment benefit:**

Unemployment benefit in the UK for an individual over 25 is worth £71 per week.

This is the equivalent of 361 Romanian Lei which is 2.2 times the take home income of a single person on the minimum wage who would bring home 164 Lei per week.

This is the equivalent of 161 Bulgarian Lev. This is 2.7 times the take home income of a single person on the minimum wage who would bring home 58 Lev per week.