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| Title: The removal of Housing Benefit from EEA jobseekers IA No: Lead department or agency: Department for Work and Pensions Other departments or agencies: None | Impact Assessment (IA) | | |
| | Date: 27/02/2014 | | |
| | Stage: Final | | |
| | Source of intervention: Domestic | | |
| | Type of measure: Secondary legislation | | |
| Contact for enquiries: | | | |

| | |
|--|---------------------|
| Summary: Intervention and Options | RPC Opinion: |
|--|---------------------|

| Cost of Preferred (or more likely) Option | | | | |
|---|----------------------------|--|------------------------------|----------------------|
| Total Net Present Value | Business Net Present Value | Net cost to business per year (EANCB on 2009 prices) | In scope of One-In, Two-Out? | Measure qualifies as |
| £0 | £0 | £0 | No | NA |

What is the problem under consideration? Why is government intervention necessary?

The Government recognises the contribution that migrants from the European Economic Area (EEA) make to the UK economy, and welcomes migrants coming to this country to work. The package of measures which restricts access to benefits by jobseekers from other member states is necessary to protect the UK's benefit system and to discourage people, who have no established connection or who have broken their connection with the UK, from migrating here without a firm offer of employment or imminent prospect of work. For this reason, it is legitimate to allow access to Housing Benefit (HB) only to those EEA migrants who are workers or are self-employed; and not those whose status is as a jobseeker.

What are the policy objectives and the intended effects?

Introduce legislation to remove access to HB for EEA jobseekers, even if they get income-based Jobseeker's Allowance (JSA(IB)).

This will help to avoid unnecessary costs to the benefit system by reducing the HB caseload by discouraging EEA nationals from coming to the UK with the primary intention of claiming benefits. Since HB would remain available to EEA citizens who are in work, self employed, or retain their worker status, the measure would also provide an increased work incentive to EEA jobseekers.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

1) Do nothing. Continue to allow EEA jobseekers access to Housing Benefit if they are in receipt of JSA(IB).
2) Remove the link between HB and JSA(IB) so that EEA migrants who are classified as jobseekers are no longer able to access HB even if they are in receipt of JSA(IB).

Option 2 is the preferred option as it will prevent those who have not contributed to the UK economy from being able to claim HB and helps to reduce welfare expenditure.

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|--|--|--------------------|----------------------|-----------------------|---------------------------|
| Will the policy be reviewed? It will be reviewed. If applicable, set review date: N/A | | | | | |
| Does implementation go beyond minimum EU requirements? | | | | N/A | |
| Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base. | | Micro No | < 20 No | Small No | Medium No |
| What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent) | | | | Traded: N/A | Non-traded: N/A |

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: _____ Iain Duncan Smith _____ Date: _____ 27/02/2014 _____

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

| Price Base Year 2014 | PV Base Year 2014 | Time Period Years 6 | Net Benefit (Present Value (PV)) (£m) | | |
|----------------------|-------------------|---------------------|---------------------------------------|-----------|-------------------|
| | | | Low: N/A | High: N/A | Best Estimate: £0 |

| COSTS (£m) | Total Transition (Constant Price) Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---------------|---|--|----------------------------|
| Low | Optional | Optional | Optional |
| High | Optional | Optional | Optional |
| Best Estimate | £10m | £10m | £70m |

Description and scale of key monetised costs by 'main affected groups'

This policy generates exchequer savings to the Government from limiting access to Housing Benefit. These savings are estimated in the benefit section below. In the full economic analysis, these savings to government are offset exactly by the costs to the potential benefit recipients.

Other key non-monetised costs by 'main affected groups'

There will be some one-off implementation costs which have not been included due to uncertainty over operational impact. No knock-on impacts on statutory homelessness are assumed as migrants are not currently eligible for assistance under statutory homelessness measures, and this will remain the case.

| BENEFITS (£m) | Total Transition (Constant Price) Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---------------|---|--|-------------------------------|
| Low | Optional | Optional | Optional |
| High | Optional | Optional | Optional |
| Best Estimate | £10m | £10m | £70m |

Description and scale of key monetised benefits by 'main affected groups'

From 1st April 2014, EEA migrants classed as jobseekers will have no access to HB, even if they are on JSA(IB). We estimate that, of approximately 300,000 EEA migrants who registered for a National Insurance Number (NINo) in 2011/12, around 3,000 later made a passported claim to HB as a jobseeker (rather than a retained worker). The saving to the exchequer is estimated at a present value of £70m, based on costs of around £10m a year until 2018/19 (figures are rounded to the nearest £5m).

Other key non-monetised benefits by 'main affected groups'

Behavioural effects include the possibility that migrants may be less likely to come to the UK, or that they are more likely to find work as a result of the greater work incentives from lower out-of-work state provision.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

The impact will depend heavily on individual behaviour in response to the policy, including future patterns of migration.

The level of savings depends on what proportion of those claiming income-based JSA have the status of a retained worker. This is difficult to establish as the current rules are not clear cut.

BUSINESS ASSESSMENT (Option 1)

| | | | | |
|---|---------------|----------|-------------------|----------------------|
| Direct impact on business (Equivalent Annual) £m: | | | In scope of OITO? | Measure qualifies as |
| Costs: n/a | Benefits: n/a | Net: n/a | No | NA |

Evidence Base (for summary sheets)

Background information

What is the current policy?

Until 1st January 2014, EEA jobseekers could make a claim for JSA(IB) on entering the UK, provided they had passed the Habitual Residence Test (HRT). Since JSA(IB) was the only route by which they could access HB, they could access HB without delay too.

On 1st January 2014, a 3 month residence requirement for access to JSA(IB) was introduced. So currently, once EEA jobseekers have served the 3 month residence required and satisfied the HRT, they would be able to make a claim for JSA(IB), which would in turn give them access to HB. This measure will remove that access to HB from 1st April 2014.

Problem and solution

An EEA jobseeker can access Housing Benefit once they start claiming JSA(IB), without any requirement that they have been working in the UK.

The proposed solution is to remove access to HB for EEA jobseekers, and allow only those EEA migrants who are working or have recently worked in the UK to access Housing Benefit.

Policy rationale

The Government recognises the contribution that EEA migrants make to the UK economy, and welcomes migrants coming to this country to work and contribute to our economy. The measures on restricting access to benefits by jobseekers from other member states are necessary to protect the UK's benefit system from those who might seek to exploit it.

The proposal to remove EEA jobseekers' access to Housing Benefit is part of a package of measures designed to protect the UK's benefit system and discourage people who have no established connection or who have broken their connection with the UK, from migrating here without a firm offer of employment or imminent prospect of work.

The policy would deter any EEA migrants who wished to move to the UK with the primary aim of claiming benefits. It would lead to a reduction in the HB caseload, and hence to cost reductions.

Policy options

1. Do nothing
2. Remove access to HB for EEA jobseekers

Do nothing

This would mean that jobseekers can continue to access Housing Benefit funded by UK taxpayers, even if they have never worked in the UK.

Remove access to HB for EEA jobseekers

We propose to amend the Housing Benefit Regulations 2006 (SI 2006/213) to ensure that European Economic Area (EEA) nationals who come to the UK to seek work are able to access to Housing Benefit (HB) even if they are receiving JSA(IB).

Excluded from this measure are:

- a) UK nationals (and nationals from the Common Travel Area, such as Eire);
- (b) EEA jobseekers with retained worker status (i.e. EEA nationals who were in 'genuine and effective' work in the UK who were made involuntarily redundant and are claiming JSA);
- (c) EEA workers/self-employed; and
- (d) EEA jobseekers who were receiving JSA(IB) and HB on 31 March 2014 will not be affected this measure, until their JSA or HB ceases.

These groups will continue to have access to HB. This approach is designed to protect the UK's social security system from those who have made no contribution by means of taxation or social security contributions, whilst still allowing those who contribute the UK economy to receive HB if they need to.

We estimate that of the around 300,000 EEA migrants who registered for a NINo in 2011/12, around 3,000 later made a passported claim to HB as a jobseeker (rather than as a retained worker). The average housing benefit claim for these individuals is around £100 per week. Total expenditure on these claims is estimated to average around £10m per year over the next six years.

The vast majority (92%) of those potentially affected by the policy are renting in the private rental sector. More than three quarters are single people or childless couples. Around a third of those potentially affected live in London, ten per cent live in Scotland and three per cent live in Wales.

Risks

One key uncertainty in estimating the effect of the policy is a lack of evidence about the number of EEA migrants that have been assessed to have "worker" or "retained worker" status by decision makers. Both retained workers and jobseekers may claim income-based JSA, and administrative data do not identify claimants' status. In order to infer how many HB claimants passported from income-based JSA would be exempt from the measure through their status as a retained worker, we have had to make a number of assumptions. Claims made six months or more after NINo registration¹ are not included in the analysis as they are assumed to be workers or retained workers. All claims longer than three months after the previous claim are excluded on the basis that the claimant is more likely to have worked in the meantime and hence be classified as a retained worker on their return. If these assumptions lead to an over-estimate of the proportion of HB claimants passported from income-based JSA who are retained workers, then savings will actually be higher than our estimates suggest.

There is further uncertainty over the likely behavioural response to the policy. Firstly, it is hard to predict the impact the policy will have on migration. It is possible that the reduction in social security support for migrant jobseekers will deter some EEA nationals from moving to the UK. A reduction in migration would have consequences for the wider economy that are difficult to quantify.

¹ The NINo data has two dates, the date of arrival and the date of registration. In line with the published NINo registration statistics, the later of these two dates is used to identify the date of registration.

The second behavioural uncertainty revolves around labour market incentives. The reduced access to out-of-work benefits for EEA migrants may lead to higher employment levels amongst the affected group. This would have knock-on effects on the economy as a whole, but also directly affects the HB savings that come from this measure. By moving into low-paid work, an EEA migrant becomes eligible for in-work HB. If more EEA migrants move into work as a result of the policy than would otherwise have done so it will generate benefits to the wider economy and exchequer, but if some of those additional workers claim HB it would reduce the amount of HB saved which has been estimated in this paper.

Finally, the policy would increase the risk that EEA migrants could fall into difficult circumstances were they unable to find employment, particularly if they were vulnerable, such as families with children. Families would not be left without UK state support. They can claim JSA(IB) for a period and in certain circumstances they may be able to apply for support from the Local Authority. Local Authority support is subject to statutory criteria e.g. under section 17 of the Children Act 1989 (for a child in need and their family) or section 21 of the National Assistance Act 1948 (provision of accommodation in certain circumstances). It is envisaged that any such costs to Local Authorities would be small and short-term.

Conclusion

The second option, namely the removal of access to HB for EEA jobseekers is preferred. This is because it will make it less easy for migrants to access the benefits system without contributing through tax or social security contributions. This will lead to a reduction in welfare expenditure.