

Family benefits and EU migrants

[Jonathan Bradshaw](#)

Although I appeared on the BBC World at One (16/2/16) seeking to explain this, I still don't really understand what it is all about! This blog is an attempt to clarify.

The 2015 Conservative [Manifesto](#) promised "If an EU migrant's child is living abroad, then they should receive no child benefit". This promise seems to have now resolved into continuing to pay child benefits and child tax credits to those children, but such benefits should be indexed to the standard of living in the member state where the child resides. Further the suggestion is that now this will apply only to new migrants.

And this has become a crucial part of the Brexit negotiations with the EU.

Child benefits are paid at the rate of £20.70 for the first and £13.70 for the second and subsequent child. Child tax credits are means-tested.

EU migrants working in Britain can claim these benefits for their children – in Britain or in their home country. This has been the case since the Rome Treaty and is part of the fundamental EU principle on the free movement of people. The House of Commons Library has produced an excellent [briefing](#) on the subject.

The numbers involved are very small. [As of March 2015](#), there were 19,579 families with ongoing Child Benefit claims awarded in respect of 32,408 children living in other member states. There were also 7,026 ongoing Child Tax Credit awards granted in respect of 11,762 children under this regulation. They are mainly in Poland. There is more statistical information from the House of Commons Library on migrants and benefits [here](#).

Why is there so much concern?

One reason might be that child benefits are an incentive to come to Britain. My guess is that migrants come for the wages which are higher than they can get at home and which will get higher as Osborne's national living wage is rolled out from April 2016.

If anyone thinks that our child benefits are particularly generous they are wrong. The data is out of date but the [latest analysis](#) suggests that they are comparatively low as a proportion of earnings and low among the rich EU countries in purchasing power parity terms. They are certainly a small proportion of typical net in-work incomes in the UK. Not much of an incentive for a Polish plumber.

Then there is the issue of how this policy might be managed. It has [been suggested](#) by the BBC that it might be based on the median income of the country the children live in – but adjusted how? The EU publishes out of date (2014 latest) [data on purchasing power parities](#) as well as price indices levels. They indicate that a Polish worker should have their child benefit about halved to take account of variation in the whole costs of goods and services in purchasing power parities, but reduced by less than a third if we only include the comparative costs of food.

These indices are always out of date. They are volatile. One of the key advantages of child benefits is that they are paid at standard rates without a means test on the basis of a birth certificate. In the case of payments abroad there is the complication that HMRC carries out further checks with the “competent authority” in the Member State to verify the information provided by the claimant, and to see if corresponding benefits are already being paid for the child, before any payments are made. Where family benefits are already being paid, “overlapping benefits” provisions apply to ensure that the family is not paid twice (the total amount they receive will not exceed the amount payable by the state with the higher entitlement). This complication is a reason why HM Treasury has always [refused to estimate](#) the costs of paying child benefit to children abroad.

Adjusting the amounts to take account of variation in the purchasing power of currencies in 28 different jurisdictions is likely to create despair for the poor civil servants in the Washington Child Benefit Office. What would be the administrative costs and what would be the savings? Would it really have an impact on migrant behaviour?

Has anyone really thought this through? Or is just a fig leaf?

If this was agreed as a result of the Brexit negotiations, is there not a risk that other countries might demand the same exemptions? Probably not if they wanted to avoid the administrative hassle, but there may be domestic political pressures. It could create chaos in the existing EU coordination rules, and possibly even presage the end of the free movement principle and the EU.