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Briefing

The EU referendum and UK poverty

The following considers UK poverty in relation to the EU referendum in June 2016. The briefing draws on existing evidence to examine the potential economic, political and social consequences of a vote to remain in or leave the EU (known as 'Brexit' or British exit from the European Union), focusing on the impact of each decision on the UK's poorest people and places.

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Key points

- The EU is Britain's largest trading partner, accounting for nearly 45% of UK exports of goods and services, and is the largest source of foreign direct investment. A disruption in the UK's relationship with the EU is likely to negatively affect UK growth in the short-term, with adverse consequences for poverty reduction.
- If Brexit reduces the overall volume of EU migration to the UK, we can expect a slight effect on wages and employment overall. There is no evidence that EU migration increases unemployment for low skilled UK born workers, and analysis suggests that the impacts on wages for low paid workers are very small or non-existent.
- Withdrawal from the EU may affect some of the poorest regions of the country, including London and the North East.
- Leaving the EU is likely to return the UK to lighter employment regulation, with EU regulations overseeing working hours and equal treatment for part time and temporary staff least likely to survive Brexit.
- A vote in June to remain in the EU is a vote for the status quo, since the short term impact of negotiated changes to UK membership is likely to be small.

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What is at stake in the EU referendum?

A referendum on whether Britain should remain in the European Union will be held on Thursday, the 23rd of June 2016. Voters will be asked: ‘Should the United Kingdom remain a member of the European Union or leave the European Union?’

Key points

- A vote to remain in the EU is a vote largely in favor of the status quo.
- A vote to leave the EU involves uncertainty: no concrete proposals have been put forward on what the UK would do should the leave option prevail.
- The options depend not only on what the UK government decides to do in the case of a vote to leave, it also depends on what kind of deal European leaders are willing to negotiate with the UK.

In February 2016, Prime Minister David Cameron’s renegotiations led to the European Council agreeing to a series of measures to be implemented if the UK votes to remain in the EU. Among them were various actions related to the UK opting out of ‘ever closer union’; further liberalisation, especially in services; UK protection from Eurozone bailouts and changing EU citizens’ access to benefits in the UK.

These measures could all affect UK poverty. In the short term they may have an economic or political impact, for example by limiting in-work benefits to future EU migrants. In the long term it is difficult to predict how the EU may develop and what impact this would have on poverty in the UK. For example, changes to EU regional or farming policies, increases or decreases to the UK’s contribution to the EU budget, or increased or decreased EU regulation.

A vote to leave the EU involves uncertainty as no concrete proposals have been put forward on what the UK would do should the leave option prevail. We can identify at least three possible options, each of which would have different economic and political impacts on the UK post-Brexit, which in theory can affect the UK’s capacity to support people and places at risk of poverty:

- The Norway option. The UK could join the European Economic Area (EEA) with Iceland, Lichtenstein and Norway. As an EEA member, the UK would be part of the Single Market: goods, services, capital and people would move freely and the UK would still be subject to Single Market rules and regulations. It would lose its ability, however, to influence that legislation. Norway’s contribution to the EU budget is 17% lower than the UK’s, so this option is not guaranteed to result in significant fiscal savings.
- A negotiated bilateral agreement. The UK could negotiate different bilateral agreements with the EU, such as the comprehensive free trade agreements the EU has negotiated with Switzerland or Canada. In the case of Switzerland, this arrangement includes free movement of people and contributions to the UK budget. The EU’s agreement with Canada, on the other hand, does not include these two features. In each case, the agreements ensure free movement of goods, but exclude the free movement of services.

- The WTO option. This option would forgo any agreement with the EU. UK relations with the EU and the rest of the world would be governed by World Trade Organisation (WTO) rules. EU free movement of people would cease, as would the UK's contribution to the EU budget.

The first two options depend not only on what the UK government decides to do in the case of a vote to leave, they also depend on what kind of deal European leaders are willing to negotiate with the UK.

What effect would leaving the EU have on jobs and the UK economy?

One of the most hotly contested questions in the EU referendum campaign is the economic impact of Brexit. This debate is relevant to UK poverty, since the question of the short and long term effects of Brexit on the UK economy – including its impact on exchange rates, growth, investment and employment – all have direct and indirect effects on the UK's poorest people and places. The Treasury released a report in April 2016 that estimates leaving the EU and negotiating a bilateral agreement would reduce British GDP by 6.2% by 2030 (with the Norway option having a less negative GDP effect and the WTO option a greater negative GDP effect). Other studies suggest the impact will be more modest, affecting UK growth approximately 1% either way (Open Europe, 2016). Predictions on long term GDP effects vary according to different assumptions and measurements used. As the House of Commons Library (2013) puts it, 'Framing the aggregate impact in terms of single number, or even irrefutably demonstrating that the net effects are positive or negative, is a formidably difficult enterprise'. The exercise is made more difficult due to uncertainty about the UK's future relationship with the EU. We must consider the indirect effects on the following:

- The pound. Many analysts suggest that Brexit would lead to a significant devaluation of the pound, with some predicting devaluation of up to 20%. People would be relatively poorer, affording less with their wages in term of buying imports or travelling abroad. A reactive Bank of England rise in interest rates could also increase the price of mortgage repayments; increasing the risk of defaults, repossessions and homelessness.
- Trade. The EU is Britain's largest trading partner. In 2014, the EU accounted for nearly 45% of UK exports of goods and services and 53% of UK imports. The combined value of all UK goods and services exported to the EU each year equals 14% of GDP. It is estimated that 3.3 million jobs are linked to UK exports to the EU (HM Government, 2016, p. 9). If the UK remains in the EU, this figure is unlikely to change significantly. If the UK leaves the EU, and does not enter the EEA, trade with the EU may become more costly due to increased tariff and non-tariff barriers to trade. A tariff barrier is a tax at the border (like an EU tariff on Chinese steel imports), while non-tariff barriers include things like import quotas or regulations to protect the health and safety of people or animals. The Single Market eliminates tariff barriers amongst member states and seeks to remove non-tariff barriers through harmonising regulations or prohibiting policies that benefit domestic firms over other EU firms. An example of the latter is EU public procurement rules attempt to create a level playing field for all EU firms when bidding on large government contracts. This would raise the cost for exporters, affecting business

performance and potentially jobs, and could also increase the cost of imported EU goods and services. If the UK negotiated a bilateral agreement giving access to the European Single Market, it is very likely that UK exporters would be required to follow Single Market rules and regulations but the UK would no longer have the ability to shape these.

- Outside the EU. Britain could pursue its own trade policy with non-EU states such as China, India and the United States. Many proponents of Brexit argue that striking new bilateral trade deals with developing states would more than compensate for any loss in trade with the EU. One open question is whether the UK would be more effective in opening these markets alone than within the EU trade bloc. During his visit to the UK in April 2016, US President Barack Obama suggested that the US places a higher priority on negotiating a deal with the EU than the UK.

  Another question is the economic and political consequences of the UK pursuing a more open and deregulatory trade agenda outside the EU. The debate over Port Talbot is illustrative. Britain has strongly opposed increasing external EU tariffs on steel imports, which has kept the price of steel lower and put pressure on domestic steel producers to increase efficiency. Post-Brexit, the UK could set its own tariffs on steel imports but would still be legally bound to WTO tariff ceilings. Brexit could also exempt the UK from EU state aid rules that prohibit governments from giving special treatment to domestic firms through subsidies and other means – although these rules are flexible enough for the UK to propose taking a minority stake of up to 25% and offer debt relief to a private buyer in effort to save Tata Steel.

- Foreign direct investment. Foreign direct investment is important for UK jobs and growth. Multinationals create high-skilled jobs and bring new technologies to the UK which has a positive spillover to local firms and industries. In 2013, the EU made up 46% of the inflow of foreign direct investment into the UK. Of all the EU states, the UK attracts the largest share of foreign direct investment from outside the EU – nearly half of which is in financial services. One reason why foreign investors are attracted to the UK is that it provides a base to access EU markets, with almost three quarters of foreign investors citing access to the European market as a reason for their investment in the UK (Treasury, 2016, p. 9). Some analysts argue that if the UK leaves the EU it will become a less attractive destination for foreign investors. This argument has been bolstered by warnings from firms such as Rolls-Royce and Airbus that Brexit may threaten their future investment plans in the UK (Financial Times, 2016). Yet other assessments argue that leaving the EU would have a minimal impact on investment decisions, making the UK a more attractive destination due to fewer regulations and a lower cost of doing business. Both scenarios would have an indirect effect on poverty reduction: affecting job retention and creation, as well as fiscal revenue, but the long term effects of Brexit on foreign direct investment cannot be easily predicted.

- Regulation. As an EU member, the UK government participates in deciding and implementing a large number of EU rules and regulations – overseeing everything from food safety to working hours. Some argue that this layer of EU 'red tape' imposes additional costs on UK businesses that can undermine their global competitiveness and lead to increased prices for consumers. Calculating the impact of EU regulations requires an assessment of both the costs and benefits. For example, when the UK signs up to EU goals to make 20% of its energy mix renewable, it can impose costs on businesses and consumers through higher energy prices. But meeting this target can also lead to new investment, spurring technological innovation and job creation. A group of British and foreign investors supported by a £20 million EU grant, for example, are breaking ground on a new alternative energy plant in Hull which will turn commercial and residential waste into electricity. Outside the EU, the UK could choose to weaken or abandon different EU regulations – although much depends on what kind of future agreement it negotiates with the EU and could result in different kinds of costs and benefits to those most at risk of poverty. Abandoning renewable energy targets, for example, could reduce monthly energy bills for UK consumers. But it could also impose costs in the form of job losses in the alternative energy industry, which would hit some areas harder than others. A change in the UK's renewable energy policy would have a disproportionate effect on Scotland, for example, since alternative energy investment in Scotland per capita is more than twice that in England and three times than in Northern Ireland and Wales.

How much does EU membership cost the UK in terms of contributions to the EU budget?

Estimates of the fiscal benefits and costs of EU membership are tied to competing estimates of its impact on jobs and growth, as discussed above. But we can also identify more direct benefits and costs in terms of what the UK contributes to the EU budget and what it gets back.

- The UK's membership fee in 2015 was £12.9 billion (this includes the UK rebate), or about 0.53% of the UK's GDP. On a per capita basis, that comes to around £200 for every person in the UK per year. In terms of total contribution to the EU budget, the UK pays second to Germany. In terms of per capita contribution, the UK ranks eighth amongst all EU member states.
- To consider the UK's net contribution – or the difference between what the UK puts in and gets back – the UK contributed £9.9 billion in 2014 (UK Statistics Authority 2016). If we take into account direct EU payments to non-public sector bodies, such as research payments to UK organisations, the net contribution is £5.7 billion (ibid. 2016). The UK receives the sixth largest share of EU Common Agricultural Policy (CAP) funding, totalling 3.9 billion euros in 2014 with some British farmers receiving a disproportionate amount of the funds (European Parliament 2016). Less developed parts of the UK such as Northern Ireland, Wales and Cornwall also receive EU funding to support infrastructure projects and job training initiatives. The EU also funds British-based scientists and collaborative research, with the UK receiving the third largest share of competitive EU research funding. This targeted funding affects poverty in direct ways through job training funding, and more indirect ways such as reducing rural poverty and generating new jobs through research-led innovation.
- If the UK left the EU it would keep the money it now contributes, although how much depends on the type of arrangement it negotiates with the EU. An open question is how the UK government would spend these savings, and whether it would continue to support groups and parts of the UK that currently receive EU funds in the same way and at the same levels. If the UK remains in the EU, it could

continue to engage in deliberations over whether and how current EU spending priorities, such as CAP or regional development funding, should be changed.

What is the impact of EU migration on poverty in the UK?

EU migration has become a key issue in debates over Britain's UK membership. In 2015, net EU migration was about 172,000 with an estimated 257,000 citizens from other EU countries migrating to the UK and around 85,000 emigrating abroad (Full Fact, 2016a). EU migrants make up around half of people moving to the UK for at least a year – a significant increase from 21% before the EU included Eastern Europe. EU migrants now make up over a third of the total foreign-born UK population. Employment rates of EU migrants are high: 82% of working-age EU migrants are employed, with EU migration expanding the UK workforce by around 0.5% a year and comprising 6% of the UK workforce by 2014 (The Migration Observatory, 2016). Since 2011, the UK has also seen an increase in migration from southern European countries, namely Italy and Spain. Most studies suggest that EU migrants make a net positive contribution to the UK economy, contributing more in taxes than they take in benefits and fuelling economic growth generally (Full Fact, 2015). Yet many voters express concern that EU migration has had an adverse economic impact on the UK and on poorer groups and communities; in particular by reducing wages and employment opportunities for British workers, increasing pressure on the price of housing and availability of public services, and placing an undue burden on the British benefit system. The following points consider these issues in more depth.

The labour market

The UK does not have a fixed number of jobs. Economic theory suggests that in the long term, as the workforce grows, employment should also grow as more people in a local economy will drive up demand for goods and services (Varga-Silva, et. al. 2015).

Moreover, increased supply of skilled and mobile workers can also help maintain economic sectors that may otherwise decline. EU migration can increase wages and job opportunities of UK workers over time (Vargas-Silva, et. al. 2015). But EU migration has short term effects across different segments of the UK labour market. Low waged UK-born workers generally experience a decrease in wages and high paid workers an increase, although the impact in both directions is small. Another study calculated the impact of immigration on pay rates in low-skilled work between 2004 and 2015 as 0.8% (CER, 2016). Analysis of research by the Bank of England suggests that the impact of migration on wages of UK-born people in the semi/unskilled services sector since 2004 was about 1%, over eight years. Based on average wages of around £8 per hour in that sector, this implies a reduction in annual pay rises of about a penny an hour (available at http://bit.ly/1TRiLB2, May 2016). The most recent analysis, examining wages and employment up to 2015 and comparing impacts in different local authority areas, suggests that EU migration has not reduced either employment or wages for low skilled UK-born workers (Wadsworth et al, 2016).

Different groups of EU migrants tend to cluster in different sectors. Migrants from Eastern Europe tend to be concentrated in low-wage occupations like agriculture, food processing and hospitality; EU migrants from 'old' member states cluster in more high-waged professional occupations such as finance or health care.

If the UK chooses to leave the EU, this would potentially give the UK more control over immigration – including the ability to set targets and minimum income thresholds. If the government decides to apply the same immigration policies to EU migrants as it does to non-EU migrants, such as a £35,000 salary threshold to qualify for permanent residency, demand for skilled workers already living in the UK and in the lower and middle income ranges would increase. Employers would be forced to adapt, and how they respond depends on the sector. Employers could raise wages to make jobs more attractive, invest in training to fill skills shortages, pursue more automation to reduce the need for staff, or lobby the government for work permit provisions for EU and non-EU migrants (Migration Observatory, 2016). Most of these options are likely to impose additional short term costs on businesses, which could be passed on to customers through higher prices. In the medium-to-long term, some of these options could result in better job opportunities for workers in the UK, better use of their skills and potentially greater career progression.

Public services

EU migration can increase the availability or quality of public services by contributing skilled workers and increasing tax revenues that fund them. It can also put pressure on these services by increasing demand, and this pressure can be concentrated in certain areas. The Migration Advisory Committee (2014) finds, for example, that one quarter of local authorities absorbed three quarters of the rise in non-UK born populations. Data is particularly limited on this issue, but we can highlight some relevant evidence:

- EU migrants tend to come to the UK to work.
- Working age adults are expected to access fewer health services and adult social care than the average UK citizens, but would use education and maternity care.
- In England and Wales in 2014, mothers born in the EU (excluding the UK) accounted for 64,067 (9.2%) of all live births (ONS, 2015).

A recent survey suggests that in poorer communities outside London, migration from Eastern Europe may have coincided with an increase in NHS waiting times. But this effect diminished within three years; partly due to many of these migrants moving to other areas of the UK (COMPAS, 2016). Migrants also contribute to the provision of public services, particularly health and social care. In 2015, about 12% of nurses and midwives who started their job within the last two years were born in other EU countries (Migration Observatory, 2016, p. 5). Recent evidence suggests that as non-EU labour migration has become more restrictive, EU migrants have filled gaps in public service provision such as nursing or teaching (Reinzo and Vargas-Silva, 2015). If Brexit makes it more difficult for employers to recruit skilled workers in the middle income spectrum, the cost of public services could rise and quality could decrease – at least in the short term. The government could also create temporary work permit schemes, recruiting Portuguese or Filipino nurses, for example, to fill demand.

Public finances

If EU migration increases or decreases government revenues relative to costs, this should affect the state's capacity to support people at risk of poverty. Most evidence suggests that the net fiscal impact of EU migration is small but positive overall, adding just under 1% to Britain's GDP (Full Fact, 2016b). Measurement choices have an impact on these calculations. Data on contributions in terms of taxes and national insurance are more easily attainable than data on costs in terms of expenditures, especially if we extend this measure to the use of NHS, education and other public services. Public finance implications of EU migration also extend beyond individual tax contributions and expenditures on benefits and public services. If, for example, a reduction in EU migration leads to a decrease in wages and jobs overall, this could offset any saving from reduced demand for public services or benefits – but such an indirect impact cannot be assessed with any precision.

Much of the public debate around EU migration has focused on the access of EU migrants to UK welfare benefits. EU migrants make up a small proportion of the UK's overall benefits caseload: approximately 2.5% of out-of-work benefits (like Jobseeker's Allowance and Incapacity Benefit) and 7% of in-work benefits, namely tax credits (see Sumption and Altorjia, 2016). The Department for Work and Pensions (DWP) reports that EU migrants on in-work benefits cost the taxpayer £530m in 2013, making up 1.6% of that year's total tax credit bill (Guardian, 2015). One result of David Cameron's renegotiation of UK membership was the European Council allowing the UK to limit in-work benefits during the first four years for newly arriving EU migrants. The Council also agreed that the UK could recalculate payments for EU migrant workers' children living overseas to reflect their home country cost of living. If the UK remains in the EU, the question arises what impact these changes might have on EU migration to the UK and access of migrants to benefits. Available data suggests that roughly 10 to 20% of recently arrived EU migrants were receiving tax credits in early 2014. The vast majority (more than 90%) have dependent children. We can assume, based on past data, that EU migrants that stand to lose the most as a result of the proposed changes would be families with children (see Sumption and Altorjai, 2016). One rationale for restricting EU migrants' access to benefits is to reduce financial incentives to migrate. As the impact of in-work benefit restrictions is concentrated on a relatively small share of EU migrants, it is unlikely to lead to a large reduction in EU migration to the UK. As for recalculating payments for EU migrant workers' children living overseas, most estimates suggest that the cost of administering such a change would likely outweigh any savings.

In December 2013, there were 20,400 families with child benefit claims in this category, or about 0.3% of all child benefit claims made in the UK (House of Commons 2016, quoted in Sumption and Altorija 2016). A majority of these claims were for children in Poland (65%), followed by Ireland (6%) and Lithuania (6%). Moreover, children living abroad are less of an overall cost to UK taxpayers than if they lived in the UK. We should acknowledge that for some voters the issue is less economic than what they consider 'fair'. The proposed changes to EU migrants' access to benefits could have the political benefit of addressing these concerns.

What impact would Brexit have on the UK's most economically underdeveloped regions?

The EU has long expressed a commitment that the process of abolishing barriers to free movement of goods, capital, services and labour (the Single Market) should proceed in tandem with maintaining social cohesion within and across its member states (the idea of 'Social Europe'). This is based on an understanding that regional economic integration can have a disproportionate impact on different regions, as well as different categories of workers. To help narrow this gap, the EU provides development funding to the most disadvantaged regions across the EU (those below 75% of the average EU GDP) including social funds devoted to job and skills training. Wales, for example, received an estimated £249 million in EU structural and cohesion funding in 2012. If we divide the UK's total contribution to the EU budget by population, then Wales contributed £495 million. If we add EU investment of £206 million in Wales through the European Agricultural Guarantee Fund (EAGF) and other EU funding sources that year, we can reasonably conclude that Wales receives as much or more EU funding that it contributes per year if measured as a proportion of EU payments (Full Fact 2014). The EU referendum raises the question of how Brexit would impact the UK's most underdeveloped regions, both in terms of changes to trade and foreign direct investment, and access to social and development funding. This section examines these issues in further detail.

Trade and foreign direct investment

While all exporting sectors would experience initial disruption and uncertainty after Brexit, this disruption would affect some regions more heavily than others. Sectors at most risk from EU withdrawal include cars, chemicals and pharmaceuticals, aerospace, machinery, financial services, and food, beverages and tobacco (Howarth, et. al. 2015). If UK exporters face increased tariffs post-Brexit, the biggest losers would be the North East, Northern Ireland and East Midlands. Foreign direct investment (FDI) from the EU has also played an important role in fragile regional economies struggling to keep a manufacturing base. How Brexit will affect FDI in the long term cannot be predicted with any degree of accuracy, but we can reasonably assume that in the short term uncertainty and disruption would have a negative impact on FDI inflows to the UK (and a positive impact on other EU states, like Ireland, who could absorb this FDI).

EU funding

Much of the EU's direct spending on poverty reduction is channeled through the European Social Fund (ESF) and the Youth Employment Initiative (YEI) and less directly through the European Regional Development Fund (ERDF). In the last round of funding (2007-13), the UK government received £8.4 billion in total (European Commission 2014). In the current round of funding (2014-20), the UK will receive £8.6 billion or €11.8 billion (current prices) in total funding, of which £2.1 billion will be spent on the UK's less developed regions: Cornwall and the Isles of Scilly, West Wales and the Valleys. £2 billion will be allocated to 'transition' regions – Northern Ireland, the Highlands and Islands, Cumbria, Tees Valley and Durham, Lancashire, South Yorkshire, East Yorkshire and Northern Lincolnshire, Lincolnshire, Shropshire and Staffordshire, and Devon. An open question is how the UK government would address regional inequalities in the UK if it withdrew from these EU programmes.

What additional rights does EU membership give UK citizens?

All UK citizens are EU citizens. This grants UK citizens a range of economic, social and political rights set out in EU treaties and EU laws and regulations. Individual citizens, or groups acting on their behalf, can appeal to the European Court of Justice (ECJ) in cases where the government is alleged to have failed in upholding these rights (the principle of 'direct effect'). Through the principle of 'supremacy' (i.e. EU law prevails when there is a conflict between EU law and national law), the ECJ can mandate that governments changes laws and practices to conform to EU law. EU fundamental rights and employment rights have an effect on those in the UK at the greatest risk of poverty since they grant groups, such as those in temporary, agency and part time work or disabled workers, stronger rights to equal treatment than they would otherwise hold under UK law. This section examines these different types of rights, and assesses the chances of them surviving after Brexit.

Fundamental rights

Remaining in the EU makes the UK subject to the Charter of Fundamental Rights of the European Union. Often conflated in public debates, the Charter is not the same as the European Convention on Human Rights, which is enforced by a non-EU institution, the Council of Europe's European Court of Human Rights. The Charter guarantees UK citizens a range of economic, social and political rights. Article 34(3) declares, for example, that: 'In order to combat social exclusion and poverty, the Union recognises and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources'. Leaving the EU would mean that UK may no longer be subject to the Charter. The UK's relationship to the European Court of Human Rights remains an outstanding issue. We might reasonably assume that because the Charter sets out largely uncontroversial rights, the impact of abandoning the Charter would be minimal in that the UK would continue to uphold them. The UK has, however, taken issue with several articles of the Charter in EU legal cases, including the right of collective bargaining and action (Article 28) and 'equality between women and men' (Article 23), which points to areas where the UK government would prefer to be less legally constrained.

Employment rights

Six statutory employment rights currently enjoyed by UK workers are as a direct requirement of EU law. These include the Working Time Directive (WTD) which covers working time and holidays, regulations guaranteeing equal treatment to part time, temporary and agency workers, and legislation providing protection on the grounds of discrimination based on religion or belief, sexual orientation and age. Other statutory employment rights, such as the right to paid maternity leave, have been bolstered by EU law. Successive UK governments have pursued 'opt outs' from EU employment legislation. For example, the UK pushed for an exemption allowing workers to exceed the 48 hour limit set out in the WTD. In implementing the Temporary Agency Work Directive (TAWD), the UK secured an exception to make rules on equal treatment applicable only to employees who have worked a minimum of 12 weeks. EU-level employment protection is significant to the UK workforce, where many workers are on zero hours contracts (2.4% of all employment in 2015), in part time work (26.7%) and employed by agencies (5%) (ONS, 2015). UK workers in atypical work have been among those who have gained the most from changes introduced as a result of EU legislation.

Given the UK's record of seeking to weaken EU employment legislation, both in the EU decision making phase and the implementation phase, it is highly unlikely that most EU-inspired employment law would survive the UK's withdrawal from the EU: the WTD and TAWD in particular.

Right to free movement

Just as many EU citizens have taken advantage of the right of free movement to migrate to the UK, many UK citizens have used this same right to work, study and retire in other EU states. There are around 1.2 million UK-born citizens living in another EU country. Most of these UK migrants are professionals, retirees or students, with France and Spain hosting the largest number of UK citizens. One outstanding question is if the UK votes to leave the EU, and the relationship that replaces it does not involve the right to free movement, other EU countries could change their policies towards British citizens. All EU citizens are also entitled to state-provided emergency medical treatment within the EU country they are visiting, and access to health services if they retire, with the UK reimbursing that state for the costs. If the UK votes to leave the EU, these arrangements would have to be negotiated.

Conclusion

This briefing examines the ways in which the UK's relationship with the EU affects poverty in the UK. It is worth noting that choices made by Westminster remain crucial determinants of relative and absolute poverty levels in the UK.

The debate on the EU referendum in the UK involves considerable uncertainty. If the UK remains in the EU, Prime Minister David Cameron's renegotiation could lead to changes that would affect UK poverty, such as the use of the 'emergency brake' on in-work benefits that would have a disproportionate impact on EU migrant workers with children. If the UK votes to leave the EU, there is uncertainty about what kind of arrangement the UK will negotiate with the EU, with each scenario involving different potential effects on issues related to UK poverty. An agreement that reduced low skilled EU migration could reduce the risk of wage losses in low wage jobs and slow the growth of rental housing costs, but it could also increase the costs of certain goods and services that people on low wages consume (Vargas-Silva, et. al. 2015). These costs would be amplified by potential macroeconomic effects. The devaluation of the pound, one possible short term consequence of Brexit, would increase the costs of imports further. A reduction in foreign direct investment, another potential short term effect of Brexit, could also have an adverse effect on jobs concentrated in areas like London or the North of England that rely on FDI. On the other hand, if the UK were to negotiate favourable agreements with non-EU states post-Brexit this could reduce prices, increase job opportunities, and bring other economic benefits which could enable the UK government to take greater action to reduce poverty.

Uncertainty exists not only in the kind of arrangement the UK would negotiate with the EU post-Brexit, but in the government's policy and spending priorities if the UK should leave the EU. For instance, the UK makes a net contribution of approximately £9.9 billion to the EU budget (about 0.5% of the UK's GDP). Direct savings from the UK's net contribution to the EU budget could be spent on poverty reduction and public services. But this decision will, like all domestic policy choices, depend on government priorities.

It will also depend on the short and long term effects of Brexit. If forecasts are correct, that Brexit will lead to a decline in GDP, this could affect the state's capacity to support people at risk of poverty.

The briefing also considered policies in which the EU has a more direct effect on UK poverty, namely EU funding targeted towards the UK's poorest areas and EU employment rights and regulations for those on zero-hours contracts, part time or agency work. In each case, much depends on whether and how the government would continue to follow these same priorities. The government has signaled that it would continue regional and farming subsidies: no such assurances have been made for retaining EU employment rights and regulations, with the Working Time Directive and Temporary Agency Work Directive most unlikely to survive Brexit.

Whether the UK decides to remain a member of the EU or leave the EU, the choices made by the UK government remain crucial determinants of relative and absolute poverty levels in the UK.

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