
THE ECONOMIC AND SOCIAL IMPACTS OF LIFTING WORK RESTRICTIONS ON PEOPLE SEEKING ASYLUM

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Notes

This document is a discussion paper and is therefore a work in progress. As such, findings are liable to change in any future paper.

The Economic and Social Impacts of Lifting Work Restrictions on People Seeking Asylum

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Abstract

This mixed-methods NIESR discussion paper estimates the economic and social impacts of lifting the right-to-work restriction on people seeking asylum in the UK. This is the first paper to simulate the effect of lifting this restriction with the use of a state-of-the-art macroeconomic model which allows us to estimate this outcome in a more holistic manner. We find that the annual impact from allowing people seeking asylum the right to work would be:

- Increased Tax Revenue by £1.3 billion
- Reduced Government Expenditure by £6.7 billion
- Increased GDP by £1.6 billion

We support this research with qualitative evidence from people seeking asylum in the UK to determine how this restriction interacts with people's day-to-day lives and to understand whether lifting this restriction would have an impact on their wellbeing. This illustrates how restrictions on the ability to earn an income can leave people applying for asylum at risk of coercion into exploitative work, which can intersect with their health, wellbeing and ability to integrate in the UK.

With the use of more precise methods in estimating the fiscal gain from granting the right to work to people seeking asylum, the inclusion of a macroeconomic model and addition of qualitative evidence, we are able to state with confidence that lifting this restriction would make a substantial contribution to the economy and enhance the wellbeing of people seeking asylum in the UK.

JEL Codes: E21, E62, H53

Keywords Asylum, Right to Work, Macroeconomic Model, Wellbeing

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1 Introduction

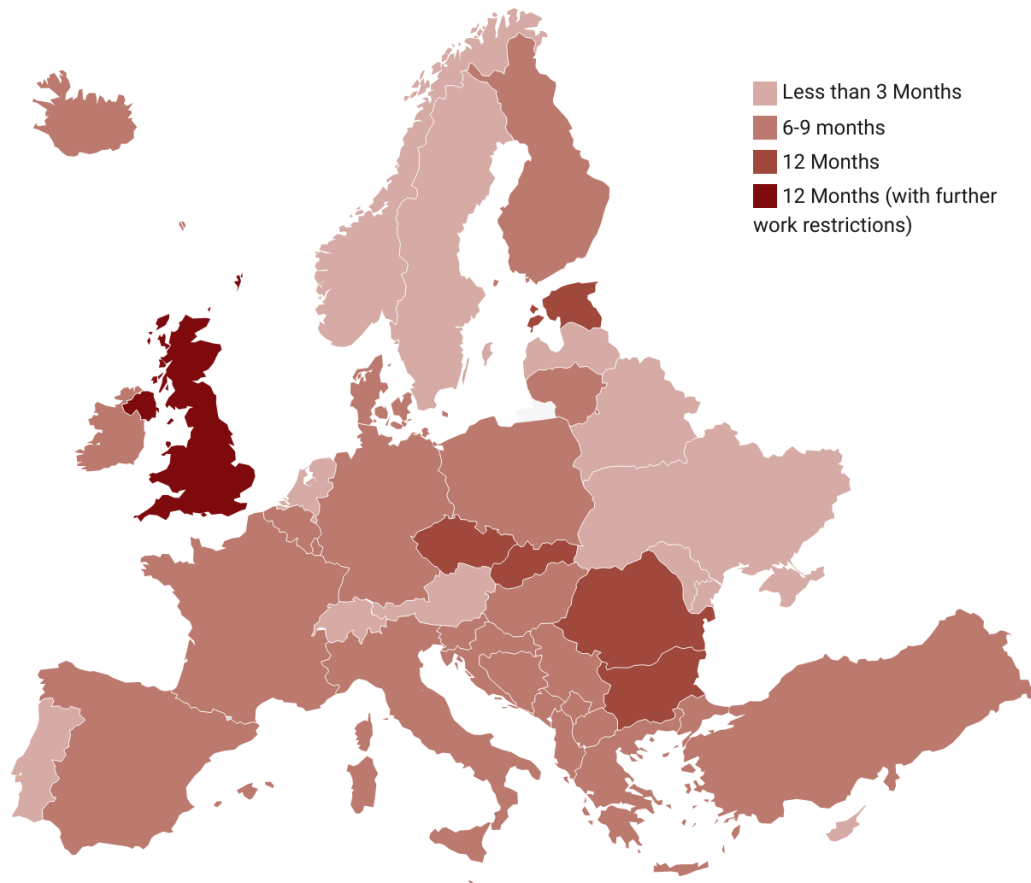
The United Kingdom imposes arguably the strongest set of restrictions on the right to work for asylum applicants compared to other European nations. Although nearly all European nations impose some degree of time restriction on the right to work for people waiting on the outcome of their asylum applications, this typically lasts for around six months (Fig. 1) from the point of application.

The UK is one of six European nations who grant asylum applicants the right to work after they have been waiting for an outcome of their application for longer than a year.

However, it is the only country to impose further restrictions on what jobs a person seeking asylum can apply for once the right to work has been granted by allowing people to only take up jobs on a 'shortage occupations' list.

Figure 1: Duration of Right-to-Work Restrictions Across Europe

The United Kingdom imposes the strictest set of right-to-work restrictions on people seeking asylum compared to other European nations.



Notes: Some countries have more nuanced right-to-work restrictions such as temporary work permits in Norway.
Source: NIESR Analysis of various United Nations High Commissioner for Refugees (UNHCR) resources

Further, people seeking asylum in the UK do not have ‘recourse to public funds’ while they are subject to immigration control unless an exception is applied, meaning they cannot apply for typical social security offered to those not in work. Without an exemption being applied, people seeking asylum will not be allowed to seek any source of non-familial income on entry into the UK.

An exception may only be applied to applicants at risk of destitution, who are then able to claim some financial and housing support, which is more limited than the typical social security offered (these entitlements are further outlined in the methodology section).

1.1 Assessing the Justification for Restrictions: Pull-Factor Theory

This comparatively restrictive approach is argued to be necessary to avoid incentivising disingenuous asylum claims and encouraging economic migration. The Home Office themselves state:

“[The policy is to] ensure a clear distinction between economic migration and asylum that discourages those who do not need protection from claiming asylum to benefit from economic opportunities they would not otherwise be eligible for” (Home Office, 2022b)

This language reflects concerns over the ‘pull factor’ theory, which asserts that

because economic migrants will be 'pulled' towards countries with the strongest economic opportunities, imposing right-to-work restrictions on asylum applications will remove the incentive for disingenuous asylum claims. The principle of right-to-work restrictions is therefore to minimise these economic opportunities so that only those truly fleeing conflict and persecution apply for asylum and those seeking economic opportunities apply for work visas.

Many studies have sought to establish whether economic opportunities (such as the availability of public funds and/or work opportunities) play a decisive role in determining asylum seekers decisions to leave their country of origin or choose where to seek asylum, as implied in the justifications for right-to-work restrictions. However, these empirical studies so far have found little to no evidence supporting this position. A study funded by the Home Office concluded that:

"There was very little evidence that the sample respondents [of asylum applicants questioned] had a detailed knowledge of: UK immigration or asylum procedures; entitlements to benefits in the UK; or the availability of work in the UK" (Robinson and Segrott, 2002).

If asylum seekers are not aware of the employment rights of the destination country, or a cross-country comparison of such rights, the restrictions on their ability to work cannot be argued to impact their decisions to choose the UK as a country to claim asylum in. Similarly, the welcoming nature or economic opportunities of the host country cannot be factoring into the decisions to leave the country of origin and pursue refugee status if they are unaware of it. Instead, motivations have often been found to be driven by the need to flee conflict and persecution (Silverstein et al., 2021), the desire to live in a peaceful country and existing familial, cultural or linguistic links within the UK (Robinson and Segrott, 2002).

For example, one study which assesses the national economic and political contexts in explaining the motivations of asylum applicants finds that this holds only 'limited practical significance' (Toshkov, 2014). A further study that assesses the link between immigration

policy in Norway and the demand for asylum applications concluded that policies such as 'restrictive social rights or those that constrain living standards of applicants' do not work as a tool to control migration (Valenta, 2014). Although there may be clear reasons why pull factor theory would apply to typical economic migration routes, a recent paper described it as being not appropriate when applying it to forced migration (Mayblin, 2017).

Another paper examines whether business cycle fluctuations (defined as a given unemployment rate of the origin and host country) can explain variations in the flow of refugees and finds no relationship. It concludes that motivations for labour migration, such as favourable economic conditions indicated by job opportunities, do not play the same role for forced migration as they do for economic migration (Kang, 2021).

Looking across Europe, there is often little variation between acceptance rates across countries with varying degrees of restrictions on economic and social rights of asylum applicants. In the UK typically around 35 per cent of asylum applications are accepted (although this has been much higher in the last few years). This is relatively similar to the 25 per cent acceptance rate of Sweden, which permits work from the point of application. Therefore, the argument that restrictions on the right to work are important tools to control immigration are highly tenuous and not supported by empirical evidence.

Given this, it is reasonable to explore the negative consequences on applicants and wider society resulting from a policy found to be ineffective in controlling demand for asylum applications. Firstly, these restrictions will naturally carry an economic cost. Not only do central and local governments lose out on the tax revenue they would otherwise gain from allowing people applying for asylum to work, but central government must also provide cash and housing support to applicants at risk of destitution while they are prohibited from earning an income.

The right-to-work restrictions also have further costs due to their social consequences. These social consequences have previously been found to include poor mental health from worklessness

(Hocking et al., 2015), risk of destitution (Mayblin and James, 2019) and barriers to integration (Mulvey, 2015). Moreover, the position these restrictions force asylum applicants into has been found to make them highly vulnerable to exploitation and modern slavery (Waite, 2017).

1.2 Contribution of This Paper

As this body of literature implies that right-to-work restrictions do not control demand for asylum applications at any level, our discussion paper explores the economic and social implications of lifting this policy in its entirety. The scenario elected to simulated is chosen exclusively by this previous research. This discussion paper seeks to explore this question by utilising a combination of quantitative research, including a global-econometric model (NiGEM), and qualitative evidence from previous literature to explore this question.

We focus on how right-to-work restrictions

impact the wellbeing of asylum applicants by exploring previous studies that have interviewed asylum applicants. This enables us to comment on the potential implications of the removal of this restriction on their wellbeing. The insights that were generated partially guided our quantitative research into the excess spending on support of enforced worklessness and lost tax-receipts which we cost by using a national Unit Cost Database maintained by the Greater Manchester Combined Authority (GMCA). We then use these findings to calibrate our global-econometric model NiGEM to determine the further macroeconomic implication of granting the right to work to people seeking asylum.

Section 2 provides more information about this methodology. Our findings are presented in section 3, which outlines qualitative insights with quantitative estimates throughout the key themes explored. We finish with a discussion and conclusion in section 4.

2 Methodology

2.1 Unit Cost Analysis

As this paper simulates the effect of lifting work restrictions for a defined number of people, we first need to determine how much it currently costs the government to provide financial support to asylum applicants instead of allowing them to work. We employ a Unit Cost Database maintained by the Greater Manchester Combined Authority (GMCA) which lists various costs and potential benefits from a series of actions, such as the cost of particular welfare claims or missed tax revenue from concepts like worklessness (referred to as units).

Before we can provide these estimates, we need to make assumptions about the number of working age asylum seekers in the UK. Previous studies of this nature have taken the total number of applicants and provided analysis based on how long they have been waiting for their application (Refugee Action, 2018). Official immigration statistics provide figures as a total and those who have been waiting for longer than six months.

We use both figures, similar to other studies, with one scenario assuming all asylum applicants are allowed to work based on the total number of outstanding applications, and another scenario assuming the right to work is only granted to those waiting six months. Although we provide both scenarios, we take a view that removing the restriction entirely is preferable to a reduction in the restriction from twelve to six months, given the lack of evidence to support the notion that restrictions on economic and social rights play a meaningful role in controlling demand for asylum applications. This breakdown is provided purely for the sake of transparency but is not endorsed by the authors.

Based on the latest immigration statistics, the total number of outstanding asylum applications of working age adults (i.e., excluding dependents) is 136,233 at the end of December 2022 and those waiting longer than six months is 88,929 (Home Office, 2022a). Our analysis assumes that around 65 per cent of those find a job based on typical employment patterns.

We first explore the potential changes in tax receipts as a result of asylum applicants entering work. We estimate the increases in income tax and National Insurance receipts which we base on a modelling exercises undertaken by the Department of Work and Pensions (DWP) that can be found in the Unit Cost Database (GMCA, 2023) which simulates a person in receipt of Job Seekers Allowance (JSA) entering work. We take the view that this is the most plausible scenario to use for asylum applicants entering work, rather than assuming all applicants get a minimum wage job and calculate the income tax and National Insurance gains from those jobs as is done in other papers of this nature. This is because the education and skill backgrounds of asylum applicants are often found to be highly varied (Holtom and Iqbal, 2020), as those fleeing conflict and persecution likely do so due to reasons unrelated to their skill level. Therefore, it is more plausible to use estimates of the economic gain following an average non-working adult entering work rather than looking exclusively at the minimum. If asylum applicants have a more varied skill level (both above and below the UK average), then it is more methodologically robust to take the average.

As asylum applicants are exempt from paying council tax (whereas they likely would be doing so if they were allowed to work) we therefore estimate the potential tax gain for local government in addition to income tax gain. To produce estimates of the gain local government would make from asylum applicants no longer qualifying for this exemption, we take the average council tax bill and apply it to the number of assumed asylum seekers entering work under each scenario. Of course, there will be a strong regional component that will drive the precise council tax bill, but as asylum seekers are housed in parts of the country not of their choosing, it is not possible to capture this regional variation due to the ambiguity over where each asylum applicant would go once they were allowed to work. Therefore, an average is the most suitable figure.

We also capture health effects as there is a well-documented association between health and work. We use another DWP modelling exercise which estimates the reduced healthcare needs

due to an improved wellbeing following JSA recipients entering work (DWP, 2010). For the reasons above, we use this as the most plausible scenario for asylum applicants entering work.

Asylum applicants are also in receipt of cash and housing support should they qualify for exemptions to restrictions on receipt of public money, notably Section 95 (S95) and Section 98 (S98). S95 (along with Section 4) provides people with £6.40 per day (£45 per week) should they be at risk of becoming destitute otherwise, whereas S98 provides people with £9.10 per week for those in full board Home Office accommodation who already appear destitute and are awaiting on a decision on the S95 application. The same latest round of immigration statistics also provides estimates for the number of claimants under both S95 and S98, which are 55,817 and 49,493 respectively as of the 31st of December 2022 (Home Office, 2022a).

Lastly, we capture the cost of having to house people seeking asylum as this is a consequence of them not being allowed to work. Instead, the Home Office must provide accommodation to those who cannot house themselves while they do not have the right to work. To cost for this, we use existing estimates from the National Audit Office (NAO) who have studied the cost of housing asylum applicants (National Audit Office, 2020). Again, there will be variation to this cost based on where the person seeking asylum is housed and in what type of accommodation. For the purposes of this paper, it is most appropriate to use the estimated average, assuming that the costs above and below this average is of a similar size. The average estimated cost in 2019 was £560 per month.

This quantitative work produces more precise estimates for the number of people that could potentially enter the labour force if those seeking asylum were allowed to work, and the additional tax receipts and the fiscal savings that would be generated from no longer having to financially support them. All unit costs are updated by inflation as of January 2023.

2.2 Calibrating a Macroeconomic Model

Many studies of this nature produce estimates of each of these components, usually assuming

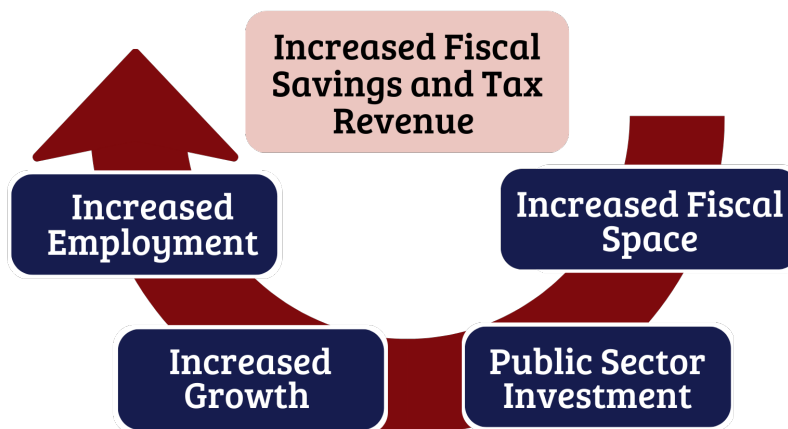
a proportion of applicants enter a minimum-wage job, then multiply by the tax liability for such a job to calculate the total tax receipt the government could expect from this scenario. Although itself valuable, we take the view that this approach lacks detail and significantly underestimates the reality for two reasons. First, by assuming that asylum applicants enter minimum wage jobs, the estimates are guaranteed to be produced at their lowest bound. This is almost certainly not a fair reflection of reality, as displaced people have highly varied educational and economic profile as they have been forced to flee their country of origin for reasons independent of their own quality of life. This is why we see evidence of more highly skilled individuals applying for asylum when compared to typical labour migration flows (Holtom and Iqbal, 2020). Therefore, the assumption that all applicants will only receive a minimum wage job is implausibly inaccurate.

Secondly, this approach does not account for the potential feedback multiplier effects. For example, if the government can reduce its expenditure on support for asylum applicants, it could use this windfall to increase public sector investment which would have a positive effect on output and eventually increase future tax intake (see Figure 2 for an illustration). There is also an income effect, as moving from £45 per week to a wage will increase the amount of money asylum applicants can spend in the economy, which

again could increase output and subsequent tax intake. This is known as a feedback multiplier, which must be accounted for in analysis of this nature. There can also be negative feedbacks too, for instance an increase in the working age population increasing competition for jobs would drive down wages and subsequent tax take.

Including these feedback multipliers requires the use of a comprehensive macroeconomic model. We use the National Institute Global Econometric Model (NIESR, 2018), which can be calibrated to reflect the estimates from the above analysis. The first shock we can apply is the increase in the working age population. This of course requires us to assume the degree to which asylum applicants enter the labour force. As there is very limited data on the work patterns of asylum applicants after being granted the right to work, it is not realistically possible to make a distinction. Therefore, we allow NiGEM to compute a probability of the asylum applicant wanting to work and being successful in their search which will be based on typical economic factors, such as a participation rate of around 65 per cent. We do not compare the labour force participation rates of asylum applicants to economic migrants granted work visas, as this would naturally overstate results as having a work visa requires you to already have secured employment, and those not in work would face deportation, therefore the participation rate would be close to unity.

Figure 2: Illustration of the Feedback Multiplier Effect Following an Increase in Fiscal Savings



Asylum applicants on the other hand are forced migrants, so would not have the same incentive to work. Therefore, we do not assume that all asylum applicants find work after being granted to the right to do so, whereas we would for a study into economic migrants. Whether this is a precise reflection of reality is a difficult question to answer, but this is, in our view, the most robust way to assume the degree to which asylum applicants would find work and to avoid overstating results.

The last shock is the induced fiscal savings from a reduction in government expenditure on supporting people seeking asylum following the right-to-work restriction being lifted. These estimates are based on the aforementioned Unit Cost Database exercise and forthcoming estimates. This shock is applied to the percentage of people who find work, whereas the same support from S95 and S98 is applied to those who do not find work in our scenario studied.

All estimates in this paper are assuming the entire right-to-work restriction is lifted, which assumes all those who have outstanding applications are then allowed to work; we refer to this as the 'Sweden model'. The reason for this is due to the lack of evidence over the pull-factor, which implies there is no justification for any work restriction. However, some policy makers may, for political reasons, still favour some work restriction. We provide estimates under the scenario that the government only lifts the restriction for those waiting longer than six months; we refer to this as the 'German model'.

We assume that those who are successful in finding work do so immediately. This is a simplifying assumption that aids interpretability of our findings. If we allowed the model to stagger the increase in working age population this would better reflect reality but likely make minimal difference to our results.

This is because our headline estimates are a yearly average, so the point of timing is not of concern to this paper.

This assumption would be problematic if it overstated the impact on wages in the first quarter following the shock, as increasing the labour-force by this size quickly would increase competition for work and drive down wages.

However, our robustness checks found that this effect was minimal and had no impact on our results, so this approach aids interpretability of findings with influencing our estimates.

We project our analysis over the course of five years to give some variables the chance to create a feedback effect. However, we only shock the model once rather than applying an additional increase in the labour force, earning and fiscal savings each year.

Firstly, we want to isolate the effect of this one change to determine its isolated economic effect and to again aid interpretability of our findings.

The second reason is long-term projections would require us to make assumptions about the future asylum application numbers, which itself would be a nebulous and imprecise exercise. Each headline estimate takes an average across each year to compute a per-year estimate.

This work is hence based on four main assumptions:

1. **All people with outstanding decisions on their asylum application (136k people) are granted the right to work:** we also provide estimates for granting the right to work for those waiting longer than six months (89k people) in each chart. Each scenario assumes those with the right to work have the same access to the labour-market as all other UK citizens (i.e. there is no further restriction on what jobs asylum applicants can apply to) and subsequently find 'typical' jobs.
2. **Only around 65 per cent of those granted the right to work find a job:** this is based on our macroeconomic model's prediction of the probability of being both economically active (wanting a job) and the probability of finding a job which is based on the typical UK average. Those unsuccessful in finding a job receive the same support they currently get from Section 95 and 98 they already receive.
3. **Those who find a job do so immediately:** this is a simplifying assumption with justification and robustness check provided above. In summary, this is to aid interpretability, and robustness checks did

not identify issues with this approach.

4. **The shock is a one-off event based on 2023 asylum application levels:** this allows us to isolate the change which aids interpretability of the resulting effect, it also means we do not have to make predictions about future migration flows. This will mean charts show a decreasing effect over time.

2.3 Qualitative Evidence

We support this work by exploring wider social impacts of right-to-work restrictions within

existing qualitative literature. In particular, we focus on how right-to-work restrictions impact the wellbeing of asylum applicants, and how the removal of this restriction could serve to benefit them.

These social themes should be seen within the context of the macroeconomic estimates, as although these estimates can often be vital the design of policy regimes, they do not capture the total impact of such policy changes. To account for this, we explore a series of qualitative studies to gain a more holistic understanding of how lifting the right-to-work restrictions would impact the wellbeing of people seeking asylum.

3 Results

3.1 Tax Revenue

We estimate that around £8,000 of potential annual tax revenue could be gained by granting the right to work to people seeking asylum. This is presented in Table 1.

This figure is used to calibrate our macroeconomic model NiGEM, which estimates that over the course of five years the total budget deficit falls by £1.4 billion, which can be interpreted as the size of fiscal saving/windfall from allowing asylum applicants to work.

Many people seeking asylum state their desire to work in the UK and are surprised that they are instead forced to be dependent on the state.

"I had the plan to learn the language, and other plans to start my life here, it was a solid plan, but I couldn't do it." - Walther et al., 2021

This is why our assumption of asylum applicants being allowed to work fits with the finding of additional tax-revenue, as previous qualitative studies find evidence of a strong desire to work and be employers. Given the varied backgrounds of those people seeking asylum, it is often the case that they are capable of being highly skilled workers or employers. Many state discomfort at being forced to be workless, and that they would rather work or start a business.

"Go to a camp, and you see how families live [...]; they sit and watch TV all day, not because they want

to" - Hoare, 2013

"I am an employer. I can employ [...] I am no more a leader. I am now like, not a slave, but you are dependent." - Hoare, 2013

Table 1: Increased Tax Revenue from Granting the Right to Work to all People Seeking Asylum

Change	Source	Value
Income/NI	(GMCA, 2023)	£6,400
Council Tax	Assumption	£1,500

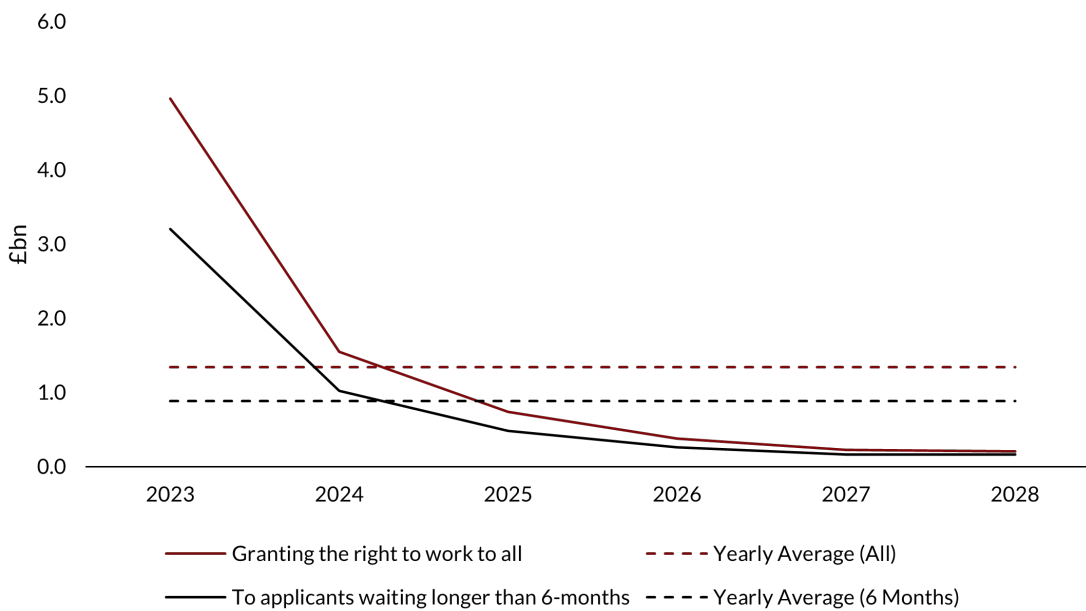
Notes: calculated on an annual per person basis

As asylum applicants are prevented from financially providing for themselves, they have to rely on state support. Previous studies have shown that this position of dependency causes them distress, as they feel deprived of agency to support themselves. These feelings are exacerbated by the uncertainty associated with seeking asylum, whereby people do not know for how long they are going to be in this position.

"During this time, you wait, you can do nothing, you're hopeless. You can't fall in love, you can't be in a relationship with someone, you can't do anything at all, everything is stopped." - van Eggermont Arwidson et al., 2022

Figure 2: Budget Deficit Forecasts

Allowing those currently seeking asylum to work would increase tax-revenue by £1.3billion per year on average



Notes: Figures in red assume right to work granted to all asylum applicants (the Sweden Model), figures presented in black assume this right is only granted six months after the application was made (the German Model). Both scenarios are estimated as a one-off shock to isolate the effect of allowing current asylum applicants the right to work, as estimates will diminish over time as any effect wears off.
Source: NiGEM; NIESR Analysis of the GMCA Unit Cost Database (2023); Home Office (2022a); NAO (2020)

The resulting effect of worklessness and minimal financial support is an increase in charity support to alleviate experiences of poverty and destitution for people seeking asylum. One study notes that the increase in demand for these services: “... correlates not with the numbers of asylum applications received by the UK government, but with an ever more restrictive approach to the economic rights and entitlements of forced migrants in the UK.” - Mayblin and James, 2019

3.2 Fiscal Savings

To calibrate our model to reflect potential fiscal savings, we first categorise potential savings in terms of (1) reduced financial support payments, (2) reduced housing support and (3) reduced healthcare spending which we summarise in Table 2.

Firstly, As a consequence of the enforced constraints on the ability for people seeking asylum to support themselves, the vast majority

request financial support from the government.

Table 2: Fiscal Savings from Granting the Right to Work to all People Seeking Asylum

Change	Source	Value
Cash Support (S95)	Assumption	£2,300
Cash Support (S98)	Assumption	£500
Housing (S95 + S98)	NAO (2020)	£8,000
Improved Health	GMCA (2023)	£700

Notes: calculated on an annual per person basis

Known as Section 95 and Section 98, these exceptions to the ban on recourse to public funds provide successful asylum applicants with

financial support whilst they wait on the final decision from their application. This support stands at £45 per week for Section 95 (S95) and £9.10 per week for Section 98.

Applicants qualify for the S95 should they be or about to become destitute. As there is little to no alternative to support themselves financially (other than relying on savings or family members), the possibility of becoming destitute is high, and this is why we see 55,817 people granted S95 support as of the 31st of December 2022, which is 41 per cent of the total number of people awaiting on a decision on their asylum application. As a decision on S95 can take several weeks for the Home Office to process their request, supplementary support is offered through S98 to applicants who appear to be already destitute. This applies to 49,493 at same period, which is 36 per cent of the total. This means that around 77 per cent of all asylum applicants receive some form of cash support

while they are prohibited from earning an income.

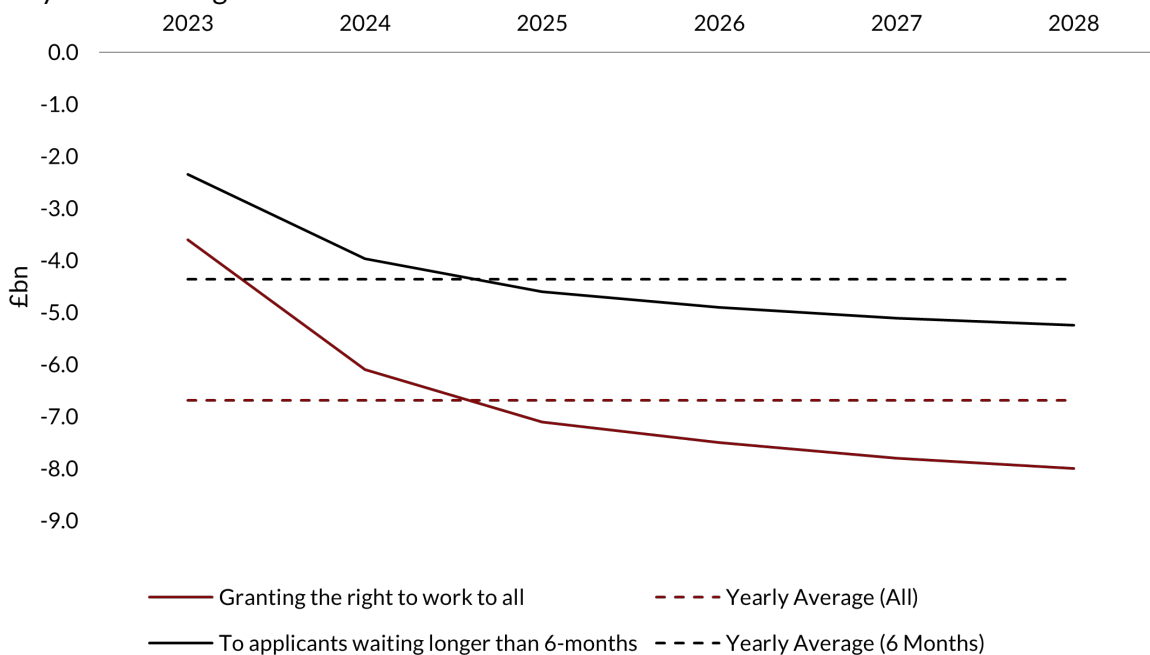
Secondly, both S95 and S98 provide housing support, as without it applicants would not have the means to financially support accommodation for themselves. A recent study by the National Audit Office provides an average cost of this provision, which uprated to 2023 prices stands at £662 per month, or around £8,000 per year.

Thirdly, the increased likelihood of health issues is a cost of work restrictions for asylum applicants and is included in our estimates of potential fiscal savings. The link between enforced worklessness and demand for healthcare can be seen most clearly within mental health needs.

Unemployed people seeking asylum are more than twice as likely to experience a major depressive disorder. The same study finds that the experience of unemployment is a major contributing factor to this finding. (Hocking et al., 2015).

Figure 4: Public Debt Forecasts

Allowing those currently seeking asylum to work would reduce government spending by £6.7 billion per year on average



Notes: Figures in red assume right to work granted to all asylum applicants (the Sweden Model), figures presented in black assume this right is only granted six months after the application was made (the German Model). Both scenarios are estimated as a one-off shock to isolate the effect of allowing current asylum applicants the right to work, as estimates will diminish over time as any effect wears off.

Source: NiGEM; NIESR Analysis of the GMCA Unit Cost Database (2023); Home Office (2022a); NAO (2020)

Worklessness can negatively impact physical and mental health, as it causes inactivity, making people feel trapped with nothing to do. These feelings are exacerbated by the uncertainty of asylum seekers' position, when they have no information about how long they may need to wait for the outcome of their application.

People living in Home Office temporary accommodation also do not have certainty about their location, as they can be moved to a different area at any point. This damage to physical and mental health causes additional costs to the NHS, which could be avoided if asylum applicants were allowed to work. People seeking asylum have previously stated that their worklessness is linked to struggles with their mental health which can result in NHS treatment.

"I've been suffering for the last seven years for not knowing where to go, what to do, [...] I had to visit a therapist" - Walther et al., 2021

"I am depressed [...] because I am sitting at home doing nothing" - Walther et al., 2021

People applying for asylum have already been through traumatic experiences. Being subjected to such conditions of uncertainty, lack of agency and low quality of life further traumatises them.

Further, the resulting barriers to integration experienced as a result of worklessness has been found to further exacerbate the mental health challenges of people seeking asylum.

"[I used to have] many options, because I have relationships with others, but nobody knows where I am. [...] No one knows I'm here and that I'm nothing now. They think I have my company now..." - van Eggermont Arwidson et al., 2022

Integration in a new country, after having experienced traumatic events, is challenging. However, spending months or years in imposed social isolation caused by right-to-work restrictions, magnifies that challenge. With the current system creating barriers for integration for asylum applicants, the months or years of waiting that could be used for them to get adjusted to the life in the UK are wasted. This time spent in isolation can take a toll on people's confidence and skills, thus delaying integration even after applicants may be granted their refugee status.

One study finds that integration and mental health are simultaneously related to each other: *"poor mental health negatively impacts the ability to pursue integration, and, on the other hand, difficulties integrating within different domains contribute to mental health problems"*. Therefore, the evidence of barriers to integration are further inputs to the increasing need for NHS treatment (Walther et al., 2021).

To account for this within our analysis, we provide estimates of healthcare savings based on a DWP social cost-benefit analysis working paper which calculates the health impacts of employment. This figure, uprated to 2023 prices, stands at £718 per year per person per year. Calibrating our model to reflect both these fiscal savings, along with the other changes to the labour-market and subsequent earning of asylum applicants being allowed to work, our NiGEM model forecasts a strong response in terms of reductions in public debt.

The yearly average is a £6.7 billion reduction in total debt, which can be interpreted as a total effect of fiscal savings, increased tax-revenues and positive effect on output, thus reducing public debt.

3.3 Impact on GDP

We provide a summary in Table 3 of the total per-person changes following an asylum applicant being allowed to work within the UK.

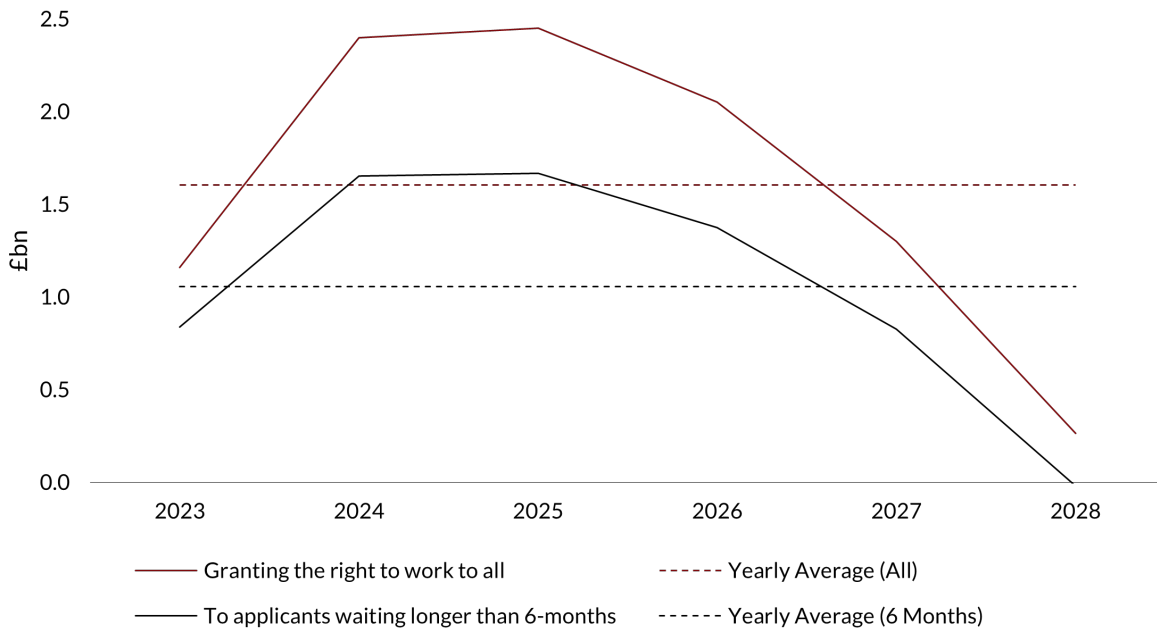
Table 3: Total Fiscal Savings from Allowing People Seeking Asylum to Work

Change	Source	Value
Income/NI	(GMCA, 2023)	£6,400
Council Tax	Assumption	£1,500
S95 Cash Support	Assumption	£2,300
S98 Cash Support	Assumption	£500
Improved Health	GMCA (2023)	£700
Housing	NAO (2020)	£8,000

Notes: calculated on an annual per person basis

Figure 5: Nominal GDP Forecasts

Allowing those currently seeking asylum to work would increase GDP by £1.6 billion per year on average.



Notes: Figures in red assume right to work granted to all asylum applicants (the Sweden Model), figures presented in black assume this right is only granted six months after the application was made (the German Model). Both scenarios are estimated as a one-off shock to isolate the effect of allowing current asylum applicants the right to work, as estimates will diminish over time as any effect wears off.

Source: NiGEM; NIESR Analysis of the GMCA Unit Cost Database (2023); Home Office (2022a); NAO (2020)

This includes the per-person tax revenue changes along with the savings induced from a reduction in health, welfare and housing expenditure. This estimates that the total fiscal benefit per person applying for asylum is around £20,000 per year, which can be interpreted as the immediate gain the government would receive from allowing applicants to work within the UK.

Combining all these changes together allows us to solve for the total effect on output. Our NiGEM model produces estimates in Figure 5 that suggest an increase in output over time as the feedback effects compound on each other,

resulting in an increase in an annual £1.6 billion increase to GDP. At the time of writing, this is worth around 0.7% of UK GDP.

The fall after 2025 represents the negative feedback loop taking effect, whereby the competition for wages begins to erode the positive impact generated from the one-off shock in our scenario.

In reality the right to work would be a consistent policy change rather than a one-off event as it is in our scenario, which is why it is important to take an average over the simulation period to get a more precise per year estimate.

4 Conclusions

Our research shows that lifting the right-to-work restriction on asylum applicants would make a substantial contribution to the UK economy and the wellbeing of those seeking asylum.

As previous research indicates that right-to-work restrictions do not control the demand for asylum applications at any level, this discussion paper simulates the effect of the removal of this restriction in its entirety. Our work should be viewed in the context of the arguably ineffective nature of this restriction which, if lifted, is likely have little to no impact on attracting disingenuous asylum applications but would instead enhance the UK economy and the wellbeing of people seeking asylum.

It is important that the findings presented in this paper are not interpreted as solely seeing people seeking asylum for the economic value that they can contribute to the UK. Such a narrow interpretation would serve to only dehumanise people applying for asylum and would fail to consider the personal tragedies that lie behind their stories. As previous research has evidenced that right-to-work restrictions do not work as a method to control the demand for asylum applications, this report has therefore estimated what the economic and social impacts would be after removing work restrictions on people applying for asylum.

Our estimates of lowering the right-to-work restriction from 12 months to six months similarly demonstrate the potential for positive impact. However, due to the lack of evidence to support the claim that the work restriction is necessary to disincentivise disingenuous applications, we do not recommend any level of restriction as a basis for future asylum policy but provide these estimates in the spirit of transparency and arguably political practicality.

Overall, the results of our modelling of the removal of the right-to-work restriction presented in this discussion paper are considerably higher than initially thought due to more robust quantitative research and because of the use of a macroeconomic model. These enhanced methodologies enable us to state with confidence that allowing people seeking asylum to work would provide a substantial contribution to the UK economy, government finances and the wellbeing of those fleeing conflict and persecution.

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