

BFPG Explainers: Immigration

What is the government's new immigration plan?

Workers from the European Economic Area (EEA) countries currently have the automatic right to live and work in the UK irrespective of their salary or skill level. This will end on the 31st December, when the 11-month post-Brexit transition period is due to finish. For those from outside the EU, there is already an immigration system in place based on points, which are awarded for speaking English, being sponsored by a company, and meeting a salary threshold of £30,000 - higher than the new threshold of £25,600.ⁱ

Currently, a maximum of 21,000 work visas are awarded each year. There are four 'tiers' of visa assessed on points: temporary workers, students, skilled workers, and high-value migrants with 'exceptional talent' or major investors. Other types of non-points-based visas are available, for example for family members of migrants.ⁱⁱ

Under the government's new immigration policy, which will start from 1st January 2021, EU and non-EU citizens would be treated equally. The government is prioritising 'high-skilled' workers, in order to 'reduce the levels of people coming to the UK with low skills', according to Home Secretary Priti Patel.ⁱⁱⁱ

Potential migrants will be allocated points based on a number of factors: whether they have a job offer (20 points), whether they speak English (10 points), whether they have a PHD in a STEM subject (20 points), whether they have a job offer in an industry in which the UK has a shortage (20 points). Migrants will need 70 points in order to come to the UK. In order to pass the threshold, migrants must have a job offer from an 'approved employer' at an 'appropriate skill level' and must speak English to receive a visa.^{iv}

Crucially, there will be a salary threshold of £25,600 in order to come to work in the UK. This threshold could be lowered to £20,480 for job offers in 'specific shortage occupations' which currently include nursing, civil engineering, psychology and classical ballet dancing - or those with PhDs relevant to a specific job.

Characteristics	Points
Job offer from an approved sponsor	20
Job at an appropriate skill level	20
English at required level	10
Salary £20,480-£23,039	0
Salary £23,040-£25,599	10
Salary £25,600	20
Job in a shortage occupation	20
PhD in job-relevant subject	10
PhD in job-relevant STEM subject	20

Source: UK Government.^v

All migrants would not be entitled to access income-related benefits until after indefinite leave to remain is granted, which is usually after five years of living in the UK. Currently, EU nationals living in the UK can claim benefits if they are 'economically active'. Non-EU citizens become eligible for benefits when they are granted permanent residency, which usually requires five years of living legally in the UK.

What is a skilled worker?

Under the government's plan, the definition of skilled workers would be expanded to include those educated to A-Level/Scottish Highers-equivalent standard. Waiting tables and certain types of farm worker would be removed from the new skilled category, but new additions would include carpentry, plastering and childminding.

Are there any exceptions?

The government has said a ‘global talent scheme’ will allow highly skilled scientists and researchers to come to the UK without a job offer.^{vi}

Students will also be allowed to come to study in the UK if they have been offered a place on a course, can speak, read, write and understand English, and have enough money to support themselves and pay for their course. A graduate immigration route is available to international students, who will be able to work, or look for work, in the UK at any skill level for up to two years after graduation.^{vii}

There are a range of other immigration routes for specialist occupations, including innovators, ministers of religion, sportspeople and to support the arts. The government has said their broad approach will be to open these existing routes available to non-EU citizens, to EU citizens.^{viii} They will not be creating a dedicated route for self-employed people, although they may be able to enter the UK under the innovator route.

Since the announcement of the immigration proposals on the 19th February, a Whitehall source has said the government is considering allowing talented younger migrants to enter Britain without a job offer. Younger applicants would be awarded extra points over older migrants, and applicants could receive points for past work experience, previous earnings and educational qualifications. These additions are expected to be introduced in 2022.^{ix}

How does the system compare with other countries’ immigration systems?

The Australian ‘points-based’ model has been hailed by politicians as the inspiration for the UK’s new model, but there are some crucial differences. In Australia, potential migrants need 65 points to work in the country, and a job offer is not a requirement for a visa. Being aged 25-33 will afford applicants 30 points, and points are also awarded for qualifications and work experience.^x

Canada^{xi} and New Zealand^{xii} also have points-based systems, based on language ability, education, skills and experience. It is possible to receive enough points to enter the countries without a job offer.

What are the economic impacts?

In the year ending March 2019, 612,000 people migrated into the UK and 385,000 people emigrated from it, leaving a net migration figure of 226,000.^{xiii} Formal study was the most common main reason for immigration (36%), and work the second most common (35%).

Academics who have studied the economic impacts of migration have suggested that the impact this new system will have on unskilled immigration from EU countries is limited, as net migration from the EU is

already close to zero.^{xiv} Other analysts have suggested that the new proposals will have a significant effect on the labour market, making it harder for employers to recruit workers, and disproportionately affecting women as women tend to be more concentrated in low-paid occupations.^{xv} Others still, including the Migration Advisory Committee (MAC), whose research informed the government's proposals, suggest that a salary threshold would help to prevent undercutting in the labour market and improvements to the public finances.^{xvi}

Fiscally, it is estimated that in 2016/17 EEA migrants living in the UK contributed £2,300 more to the public purse than the average adult, while non-EEA migrant adults contributed over £800 less. The migrants who arrived in 2016 were estimated to make a net positive contribution to the UK's public finances of approximately £26.9 billion over the duration of their time in the UK.^{xvii}

In terms of migration's effect on the labour market, the Migration Advisory Committee has found that whilst there is little evidence of substantial impacts of EEA immigration on aggregate wages, there is some evidence that lower-skilled workers face a negative impact while higher-skilled workers benefit.^{xviii} Free movement has helped to facilitate this wage deflation to some extent, as the differences between EU countries' labour markets has incentivised workers to come to the UK.^{xix} A reliance on cheaper overseas labour has contributed to GDP growth, although economists suggest it slows productivity growth as businesses fail to invest in their labour forces^{xx}

Which sectors will be most affected?

Business leaders have warned of crises for the care system, farmers, builders, and hospitality businesses, who currently rely on 'unskilled' workers from the EU to fill vacancies, many of whom are paid below the salary threshold of £25,600.^{xxi} These sectors have also not been designated 'shortage occupations' by the MAC and therefore will not qualify for a lower salary threshold.

Home Secretary Priti Patel has said businesses could recruit to fill shortages from among eight million 'economically inactive' potential workers in the UK. However, figures from the ONS reveal that most of these people are students, carers, sick, or retired. Fewer than two million of them say they would like to have a job.^{xxii}

The government has also said they will quadruple the current scheme in place for seasonal workers in agriculture to 10,000, as well as potentially introducing 'youth mobility arrangements' allowing 20,000 young people to come to the UK each year. Farming organisations say 70,000 temporary visas are needed across the UK.^{xxiii}

Conclusion

This dramatic reform is undoubtedly a significant overhaul of the UK's immigration system. The Government has clearly identified immigration as an area in which public trust was low, and therefore has prioritised the



reduction of overall numbers and the rebalancing of skill levels as its priority in these reforms. It is expected that the new immigration system will meet these objectives.

On an economic level, the reforms will bear genuine consequences for a number of different sectors and regions - many of whom will struggle to fill labour shortages and may not be able to effectively 'plug holes' through upskilling the native population or automation. The capacity of different types of organisations and businesses to adapt within the short transition period will necessarily be uneven.

The Home Office have said they will be releasing more details on the points-based system in due course, and it is hoped that a social integration strategy will also be forthcoming.

- ⁱ<https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement/the-uks-points-based-immigration-system-policy-statement>
- ⁱⁱ<https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement/the-uks-points-based-immigration-system-policy-statement>
- ⁱⁱⁱ <https://www.bbc.co.uk/news/uk-politics-51550421>
- ^{iv}<https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement/the-uks-points-based-immigration-system-policy-statement>
- ^v<https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement/the-uks-points-based-immigration-system-policy-statement#the-uks-points-based-system>
- ^{vi}<https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement/the-uks-points-based-immigration-system-policy-statement>
- ^{vii}<https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement/the-uks-points-based-immigration-system-policy-statement>
- ^{viii}<https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement/the-uks-points-based-immigration-system-policy-statement#the-uks-points-based-system>
- ^{ix}<https://www.telegraph.co.uk/politics/2020/02/19/talented-younger-migrants-could-allowed-uk-without-job-offer/>
- ^x<https://www.australia.gov.au/information-and-services/immigration-and-visas/migration-to-australia>
- ^{xi}<https://www.canada.ca/en/immigration-refugees-citizenship/campaigns/irregular-border-crossings-asylum/understanding-the-system.html>
- ^{xii}<https://www.immigration.govt.nz/new-zealand-visas/apply-for-a-visa/tools-and-information/tools/points-indicator-smc-28aug>
- ^{xiii} <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06077>
- ^{xiv} Jonathan Portes, Professor of Economics and Public Policy at King's College London, see more: https://www.theguardian.com/commentisfree/2020/feb/19/boris-johnson-immigration-reforms-home-office-skilled-migration?CMP=share_btn_tw
- ^{xv} Marley Morris, David Wastell & Robin Harvey, for IPPR. See more: <https://www.ippr.org/news-and-media/press-releases/immigration-plans-analysis-two-thirds-of-current-eu-migrants-in-health-and-care-sector-would-have-been-found-ineligible>
- ^{xvi} Professor Alan Manning, Chair, Migration Advisory Committee. See more: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/860669/PBS_and_Salary_Thresholds_Report_MAC.pdf
- ^{xvii} <https://www.oxfordeconomics.com/recent-releases/8747673d-3b26-439b-9693-0e250df6dbba>
- ^{xviii}https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF
- ^{xix}https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF
- ^{xx} Economists interview for the Financial Times: <https://www.ft.com/content/02da4ef0-ebe6-11e7-bd17-521324c81e23>
- ^{xxi}<https://www.independent.co.uk/news/uk/politics/brexit-eu-citizens-immigration-rules-work-home-office-a9342766.html>
- ^{xxii} <https://www.bbc.co.uk/news/51560120>
- ^{xxiii} <https://www.bbc.co.uk/news/amp/explainers-51560370>