

Summary: Intervention & Options

Department /Agency:

United Kingdom Border Agency

Title:

Impact Assessment of the Changes to Tiers 1 and 2 for the Points Based System Immigration

Stage: Final

Version: 1

Date: 9 March 2009

Related Publications: Impact Assessments of Tiers 1 and 2 for the Points Based System Immigration
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs>

Available to view or download at:

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs>

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

British businesses and resident workers are facing increased pressures resulting from the current unprecedented global downturn. Even in a recession, we still need migrants but we need to ensure that we are selecting only migrants with the right skills who will not add to the difficulties faced by the domestic workforce.

What are the policy objectives and the intended effects?

- To ensure that resident workers are given a fair crack of the whip when applying for jobs that might otherwise go to migrant workers.
- To support resident workers by being more selective about the skill levels of migrants in Tier 1.
- To add extra impetus to the Government's skills strategy. Tightening Tier 1 and the skills reviews we will introduce for shortage occupations will increase incentives to generate skills domestically.
- To ensure that the best and brightest foreign workers, the ones that will most benefit the UK economy, are still able to enter the UK to look for work.

What policy options have been considered? Please justify any preferred option.

Option 1: Retaining the existing Tier 1 criteria and Resident Labour Market Test (RLMT).

Option 2: Award no points under Tier 1 for Bachelor's degrees or previous earnings below £20,000 and tighten the RLMT, obliging employers to have advertised in Jobcentre Plus in order to pass the test.

Option 2 is preferred as it is right to be more selective about the migrants we bring in under Tier 1 and making skilled jobs more readily available for resident workers during the global economic downturn.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? It will be continuously monitored as part of review of progress towards meeting PSA 3.5: "to ensure controlled, fair migration that protects the public and contributes to economic growth"

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

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

Signed by the responsible Minister:

..... Date:

Summary: Analysis & Evidence

Policy Option: Option 2	Description: Changes to Tier 1 and Tier 2 of the Points Based System
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups'		
	One-off (Transition) Yrs			1
	£ 9.1 million		Public sector – familiarisation of UKBA case workers - £50k Public sector – reduction in UKBA fee income - £9 million Private sector – familiarisation of immigration advisers - £60k Third sector – familiarisation of immigration advisers - £40k	
	Average Annual Cost (excluding one-off)			
£ 0		Total Cost (PV)	£ 9.1 million	
Other key non-monetised costs by 'main affected groups'				
Increase in advertising costs through Jobcentre Plus advertising requirement for employers where they currently do not advertise through JCP. Potential costs to JCP of handling additional adverts.				

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups'		
	One-off Yrs			1
	£ 4 million		Public sector – reduction in case working costs - £ 4 million Public and private sector – reduction in UKBA fees paid by employers where resident workers are recruited through Jobcentre Plus, mitigating the need to recruit a migrant - unquantifiable	
	Average Annual Benefit (excluding one-off)			
£ 0		Total Benefit (PV)	£ 4 million	
Other key non-monetised benefits by 'main affected groups'				
Private sector – standardisation of advertising through Jobcentre Plus. Resident workers – increase access to skilled job opportunities through Jobcentre Plus				

Key Assumptions/Sensitivities/Risks

Costs and benefits are calculated for year 1 only. The key assumption is the estimated reduction in Tier 1 applications due to the new points criteria. A range is used to reflect the uncertainties.

Price Base Year 2009	Time Period Years 1	Net Benefit Range (NPV) £ minus £1.6m to minus £14.2m	NET BENEFIT (NPV Best estimate) £ minus £ 5.2 million
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What is the geographic coverage of the policy/option?	UK wide			
On what date will the policy be implemented?	April 2009			
Which organisation(s) will enforce the policy?	UKBA			
What is the total annual cost of enforcement for these organisations?	£ 0			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	N/A			
What is the value of the proposed offsetting measure per year?	£ n/a			
What is the value of changes in greenhouse gas emissions?	£ n/a			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro n/a	Small n/a	Medium n/a	Large n/a
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)
Increase of £ 0	Decrease of £ 0	Net Impact £ 0

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Background and Methodology

This assessment addresses changes to Tiers 1 and 2 of the Points Based System. These tiers cater for highly skilled and skilled migrants intending to fill gaps in the UK labour market. A full description of the Tier 1 and 2 frameworks can be found in the Tier 1 and 2 Statements of Intent which can be found at: <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs/>

In developing the policy we have considered two options:

1. Retain the existing Tier 1 criteria and RLMT advertising criteria.
2. Award no points under Tier 1 for Bachelor's degrees or previous earnings below £20,000 and tighten the RLMT, obliging employers to have advertised in Jobcentre Plus in order to pass the test.

We have assessed these options against key impacts, costs and benefits.

Rationale

British businesses and resident workers are facing increased pressures resulting from the current unprecedented global downturn. Even in a recession, we still need migrants but we need to ensure that we are selecting only migrants with the right skills who will not add to the difficulties faced by the domestic workforce.

Our initial Tier 1 criteria were developed during a period of long economic expansion and were the appropriate criteria for that time. But with unemployment rising as a result of the global economic downturn it is now necessary to reassess those criteria and be more selective about the migrants we allow into the UK under Tier 1.

With unemployment rising the Government has a duty to ensure that resident workers are given every opportunity to apply for vacancies that might otherwise be filled by migrant workers. Under the existing Resident Labour Market Test (RLMT) employers have a choice of where vacancies should be advertised before being able to employ migrants under Tier 2. The enhanced RLMT will mean that these posts will have had to have been advertised in Jobcentre Plus first. This will ensure that local jobs will always have been advertised locally and made available to local people before an employer is able to bring in a migrant under Tier 2 (general).

Options

We have considered 2 options:

Option 1:

- Retain the existing Tier 1 criteria. This would mean awarding:
 - 30 points under Tier 1 to migrants with Bachelor's degrees (or equivalent); and awarding five or ten points for previous earnings of £16,000 to £17,999 and £18,000 to £19,999 respectively.

- Retain the existing RLMT advertising criteria. Under these criteria employers must have advertised their post by one of the means listed in the relevant sector specific Code of Practice. The requirement differs from company to company and includes advertising in national newspapers, trade magazines and company websites or recruiting through head hunters or using milk rounds.

Option 2:

- Tighten the criteria for Tier 1, and no longer award points for Bachelor's degrees or previous earnings below £20,000.
- Tighten the RLMT, obliging employers to have advertised in Jobcentre Plus in order pass the test and bring in a migrant under the Tier 2 RLMT route.

The existing Tier 1 criteria attracted the right migrants when it was introduced but with unemployment increasing as a result of the global economic downturn it is right to be more selective about the migrants we allow into the UK under Tier 1.

Tightening the criteria (option 2) will mean that only the most highly skilled migrants, the migrants that will most benefit the economy, are given free access to the labour market. This does not mean that employers will not be able to recruit the migrants who no longer meet the Tier 1 points threshold, it means they will only be able to do so through Tier 2 where there are no resident workers who are able to fill the vacancy.

The existing RLMT criterion was based on advertising methods that have worked well for employers in the past. But as levels of unemployment increase the Test needs to be adapted. Skilled professionals who have been in work continuously for a long time may not know of the wide variety of recruitment media and processes covered in the existing criteria. By changing the test, local workers will have free local access to jobs in their area and that access will be available from one organisation – their local job centre. This will ensure that vacancies that might otherwise be filled by migrant workers will be more readily available to British workers.

The change in policy will encourage a change in culture so that more skilled jobs are available to resident workers through their local job centres. Only where employers have made efforts to recruit resident workers in this way and have failed to find a suitable British or EEA candidate may they bring in a non-EEA migrant worker. The migrant worker will still need to meet all the other Tier 2 criteria, which are unchanged.

Costs and Benefits

Key Impacts

Changes to Tier 1

The key impact will be a reduction in volume of migrants that qualify for Tier 1. Internal modelling suggests that the changes we are making to Tier 1 will reduce the number of applications under this route by around 12,000 in 2009, although there are a number of uncertainties, which are reflected in the sensitivity analysis.

It will still be open for migrants to apply to come under Tier 2, subject to meeting the necessary conditions. But Tier 2 is more restrictive than Tier 1. Tier 2 applicants must

have a specified job to come to, rather than open access to the labour market under Tier 1.

Changes to Tier 2

The enhanced RLMT will lead to a significant increase in Tier 2 jobs advertised through Jobcentre Plus. However it is not possible to quantify how many skilled vacancies will arise over the next year, or how many resident workers with suitable skills will be available to fill those vacancies when they arise. Other tiers are not affected by this change.

Key Costs

Tier 1 Changes

- Familiarising caseworkers in new rules and guidance - PBS caseworkers and entry clearance officers will require a nominal amount of training when the changes are introduced. This will not result in significant costs for the Agency. Staff abstraction costs of 0-2 hrs are estimated in the modelling.
- Familiarising private and third sector immigration advisers and lawyers in new rules and guidance - Immigration advisors and lawyers will be made aware of the changes but we do not anticipate any need for training. Staff abstraction costs of 0-2 hrs are included in the modelling.
- IT and other systems changes - The web based PBS points calculator will need to be amended, but the cost associated with this amendment will be minimal.
- Loss of fee revenue due to reduction in Tier 1 applications - We estimate that this change will lead to 12,000 fewer successful Tier 1 applications in 2009.
- It is possible that some of those people who no longer qualify under Tier 1 will now look to enter under Tier 2, mitigating this loss of fees. This has not been quantified.
- Costs to businesses due to Tier 1 changes - To the extent that businesses are able to recruit resident workers, or through Tier 2, if a migrant is no longer available through Tier 1, there will be little direct cost to business as a result of the changes. However if, after unsuccessfully trying to recruit a resident worker, a business needs to recruit a migrant under Tier 2 whom they would otherwise have been able to recruit under Tier 1, they will need to become a licensed sponsor and issue a certificate of sponsorship. Some of these businesses may already be licensed sponsors. These potential costs to businesses have not been quantified.

Tier 2 Changes

- Loss of fee revenue to UKBA due to reduction in Tier 2 applications - There will be a loss of revenue as applications will go down but this will be difficult to quantify, as how many jobs will be advertised in coming year will be affected by demand for workers in the economy. But the critical thing is that Tier 2 (General) skilled jobs will have been made available to local workers first.

- Costs to Jobcentre Plus of having to process more job advertisements through Jobcentre Plus.
- Costs to businesses due to Tier 2 changes: having to advertise through Jobcentre Plus (over and above the costs businesses currently incur advertising elsewhere) - Advertising through Jobcentre Plus is free and takes approximately five minutes. Some businesses may also have to deal with an increased level of job applications, with related resource implications, but it is difficult to accurately quantify this, and there will be benefits of having a wider pool of applicants from which to select. Jobcentre Plus also offers services that will help businesses through this process, which will ease these costs.

Key Benefits

Tier 1 Changes

- A more selective Tier 1 policy. The most highly skilled migrants retain open access to the labour market but less highly skilled migrants will only be able to enter under Tier 2 – i.e. where there is nobody available within the resident labour force to fill the post.
- Extra impetus to the Government's skills strategy. Tightening Tier 1 and the skills reviews we will introduce for shortage occupations will increase incentives to generate skills domestically.
- Reduced risk that migrants coming under Tier 1 end up in low skilled employment.

Tier 2 Changes

The changes will make local jobs more accessible and available to local resident workers. This will lead to:

- A change in employer and job seeker behaviour. During a period of low unemployment, it was right for Jobcentre Plus to focus more on helping workers gain basic skills to help them find work, especially the long-term unemployed. In the current economic climate, skilled professionals also need more help to find new jobs. The change will mean more businesses will advertise more vacancies in job centres, and resident workers will know that more highly skilled jobs will be available in their local Job Centre and on the Jobcentre Plus website, and that they will have more and better opportunities to identify and apply for local jobs.
- Better protection for resident workers in all types of skilled jobs, including those in the middle and at the high end of the earnings spectrum. Resident workers at the low end of the earnings spectrum are already protected as we have closed the door on low-skilled migration routes from outside the EEA.
- Reduced case-working costs to UKBA due to reduced applications - Any changes that lead to a drop in applications will reduce case-working costs for the Agency, but this is difficult to quantify.

Both changes will make the UK's immigration system more transparent, reinforcing the message that Government is committed to supporting resident workers through the economic downturn. This will contribute to increased public confidence in the UK's immigration system which will, in turn, benefit community cohesion.

Competition and Small Firms

We have considered the impacts of the proposals on competition and on small firms and we do not expect there to be a significant adverse impact. The changes should not create any competition issues as the proposals apply equally to all firms in a particular sector. Firms may well benefit from employing the brightest and best migrants and by receiving extra applications through Jobcentre Plus.

Wider impacts and risks

- There is a risk that a restriction on migrant numbers in Tier 1 will lead to a reduction in output. But to the extent that the UK labour market now exhibits more slack, and employers are able to recruit through Tier 2, assuming the RLMT is passed, the risk of a fall in output is strongly mitigated at the current time.
- We do not anticipate any judicial reviews as a result of the changes. Extension applications will be considered under the existing criteria so current Tier 1 participants will not be disadvantaged. Tier 2 participants who are applying for extensions to continue working in the same job will also not be disadvantaged, as their jobs will not need to be re-advertised.
- Unclear messages that imply "all" skilled jobs must be advertised in Jobcentre Plus before being offered to migrants may undermine public confidence in the immigration system when it becomes clear that this is not the case. This will be mitigated through clear, transparent communications which explain specifically which category of migrants is affected and what the exceptions are.
- If job seeker behaviour does not change, resident job seekers who currently look in other places listed in the codes of practice may miss out on skilled jobs if they do not look in Jobcentre Plus, and if this change causes employers to reduce their advertising through other means. There is also a risk that resident workers may not apply for skilled jobs that do not tend to currently be advertised in Jobcentre Plus, believing that the only reason these advertisements have been placed is to meet UK Border Agency requirements, and therefore that the employer already has a migrant candidate in mind for the job. These risks will be mitigated through a strong communications campaign to businesses and the public, to raise public awareness of Jobcentre Plus as a place to look for skilled jobs, and to encourage employers to advertise.

Summary and Preferred Option

Option 2 is preferred because it will meet the policy objectives of:

- Ensuring that resident workers are given a fair crack of the whip when applying for jobs that might otherwise go to migrant workers;

- Supporting resident workers by being more selective about the skill levels of migrants;
- Adding extra impetus to our skills strategy. Tightening Tier 1 and the skills reviews we will introduce for shortage occupations will increase incentives to generate skills domestically; and
- Ensuring that the best and brightest foreign workers, the ones that will most benefit the UK's economy, are still able to enter the UK to look for work.

Monitoring

As stated in the full Impact Assessments for Tiers 1 and 2 of the PBS, the policy will be continuously monitored. This is part of the review of progress towards meeting our PSA target to “boost Britain’s economy through migration to reduce the vacancy rate in shortage occupations”. Shortage occupations are defined by the Migration Advisory Committee.

The Home Secretary has asked the Migration Advisory Committee to consider what the criteria for Tier 1 should be in 2010 and they will report back to the Government by the end of October.

EQUALITY IMPACT ASSESSMENT

The UK Border Agency will consult on the impact of these changes and a full retrospective EIA will be published in due course. Due to time constraints it has not been possible to conduct an EIA prior to the changes coming into force. This is consistent with the UK Border Agency’s Race, Disability and Gender Equality Scheme 2008 – 09 which states:

“In practice, the UK Border Agency may sometimes need to introduce changes in immigration law with immediate effect, in order to avoid a last-minute rush of applicants eager to take advantage of any loophole that might be about to close, and this may limit the degree of involvement the UK Border Agency is able to achieve.”

The Scheme can be found at:

http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingforus/Three-strand_Equality_Scheme.pdf

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	Yes
Small Firms Impact Test	Yes	Yes
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No

Race, Disability and Gender Equality will be dealt with in a full retrospective Equality Impact Assessment to be published in due course. We expect Legal Aid, Sustainable Development, Carbon Assessment, Other Environment, Health Impact Assessments, Human Rights and Rural Proofing to not have any significant adverse impacts from the changes.

Annexes

Annex A - Summary Costs and Benefits Table for Option 2

COSTS AND BENEFITS OF OPTION 2	Total costs (Year 1)		
	Central	Low	High
COSTS			
Public Sector			
1. Training and Familiarisation of case workers - JKBA	£50,000	£0	£150,000
No. of case workers (VM Tier 1 & Tier 2)	2000	1500	2500
Hrs of familiarisation required	1	0	2
Average wage of staff	£25	£20	£30
2. IT charges - UKBA	£0	£0	£0
Cost of IT systems changes and refresh	£0	£0	£0
3. Lost Fee income - UKBA	£8,570,000	£4,050,000	£19,660,000
Reduction in Tier 1 applications	12,000	6,000	24,000
Average Tier 1 fee	£715	£675	£820
4. Increased costs to JCP of handling additional advertising	Unquantifiable	Unquantifiable	Unquantifiable
No. of additional Tier 2 jobs advertised in JCP	Unquantifiable	Unquantifiable	Unquantifiable
Unit cost to JCP of handling advertisements	Negligible	Negligible	Negligible
Private Sector			
5. Training and Familiarisation of immigration advisers/lawyers - private	£60,000	£0	£160,000
No. of immigration advisers	2000	2000	2000
Hrs of familiarisation required	1	0	2
Average wage of staff	£30	£20	£40
6. Increased advertising costs to employers	Unquantifiable	Unquantifiable	Unquantifiable
No. of additional Tier 2 jobs advertised in JCP	Unquantifiable	Unquantifiable	Unquantifiable
Change in advertising costs by going through JCP	Unquantifiable	Unquantifiable	Unquantifiable
Unit cost of JCP advertising	Negligible	Negligible	Negligible
Third Sector			
7. Training and Familiarisation of immigration advisers/lawyers - third	£40,000	£0	£120,000
No. of immigration advisers	2000	2000	2000
Hrs of familiarisation required	1	0	2
Average wage of staff	£20	£10	£30
TOTAL COSTS	£9,120,000	£4,050,000	£20,110,000
BENEFITS			
Public Sector			
1. Reduced case working costs to UKBA	£3,554,000	£2,472,000	£5,928,000
Reduction in applications for Tier 1	12,000	6,000	24,000
Average Tier 1 application case working costs	£295	£412	£247
Private Sector			
2. Reduction in time taken to advertise through JCP	Unquantifiable	Unquantifiable	Unquantifiable
No. of Tier 2 jobs advertised	Unquantifiable	Unquantifiable	Unquantifiable
Reduction in unit cost of JCP advertising through standardisation	Negligible	Negligible	Negligible
3. Reduction in Tier 2 application fee costs to employers if they are able to recruit a resident worker thanks to JCP advertising instead	Unquantifiable	Unquantifiable	Unquantifiable
4. Increase in job opportunities at JCP for Resident Workers	Unquantifiable	Unquantifiable	Unquantifiable
TOTAL BENEFITS	£3,554,000	£2,472,000	£5,928,000
NET BENEFIT	£5,166,000	£1,578,000	£14,182,000

Annex B – Table of Key Assumptions

Assumptions

Assumption	Estimate			High Notes/Source
	Central	Low	High	
Expected reduction in volumes	12,000	6,000	24,000	Internal projections using estimated reduction
Average Tier 1 fee	£748	£675	£820	Based on T1 Fees for 2009/10 (low = out of country fee, high = in country fee)
Average Tier 1 case working unit costs	£330	£412	£247	Based on T1 Unit Costs for 2009/10
Wage of case workers	£25	£20	£30	Assumptions
Wage of private IAs	£30	£20	£40	Assumptions
Wage of third sector IAs	£20	£10	£30	Assumptions
No. of private sector immigration advisers	2,000	2,000	2,000	OISC Report
No. of third sector immigration advisers	2,000	2,000	2,000	OISC Report
Hrs of familiarisation required	1.0	0.0	2.0	Assumptions - negligible training requirements
Cost of IT systems changes and refresh	£0	£0	£0	Assumptions
Additional Tier 2 job advertisements in JCP	Unquantifiable	Unquantifiable	Unquantifiable	Assumptions
Change in costs of advertising through JCP	Unquantifiable	Unquantifiable	Unquantifiable	Assumptions
%ge tier 1 switching to tier 2	Unquantifiable	Unquantifiable	Unquantifiable	Assumptions

Notes on Costs and Benefits

1. The costs and benefit estimates are indicative estimates of the broad scale of economic costs and benefits of the proposals, and do not represent actual financial impacts. For example, staff familiarisation costs are estimated as the economic costs associated with staff abstraction from other productive activities – however, we do expect there to be any financial costs for the groups affected.

2. Volume reductions are based on internal projections and analysis of the reduction in applications due to the revised criteria. A range has been used to reflect the uncertainty in volume changes.

3. The fees used for calculations are 2009/10 fees for Tier 1 General (Postal) applications, and different fees may apply for specific Tier 1 products.

4. The reduction in case working costs due to reduced applications is calculated using the unit costs of Tier 1 application processing, published at:

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/news/charges200910wms.pdf?view=Binary>