

EXPLANATORY MEMORANDUM TO
THE IMMIGRATION AND NATIONALITY (COST RECOVERY FEES)
(AMENDMENT NO.2) REGULATIONS 2008

2008 No. 1337

1. This explanatory memorandum has been prepared by the Home Office and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2 Description

- 2.1 These regulations set the fees for certain applications and processes related to immigration to the UK, where the fee is set at a level at or below the normal administrative cost of providing the service.
- 2.2 Included in these Regulations are the fees for sponsorship licences in respect of migrants in the arts and entertainments sector and the education sector; sponsorship licences that are issued to sponsors who are small businesses and charities; and certificates of sponsorship in respect of migrants who are temporary workers. These Regulations also include fees for applications for leave to remain and leave to enter the UK as a Tier 5 migrant. These are new elements of the Points Based System. Certain applications are to be implemented as of 30 June 2008, and some will be implemented before the end of 2008, as set out in the tables below.
- 2.3 These regulations also set the fee for certain applications for a document recording biometric information¹ (biometric immigration documents). A fee will be charged when an application is made for a replacement biometric immigration document (including applications for lost, damaged and stolen cards), but no fee will be charged where the document is issued as part of the biometric immigration document pilot scheme, or where the application is made in conjunction with an application for leave to remain in the UK. Applications for biometric immigration documents for which a fee is payable will be introduced on an incremental basis and will be set out in Regulations made under section 5 of the UK Borders Act 2007 from November 25 2008. Where a biometric immigration document is required in conjunction with an application for leave to remain, the cost of the biometric immigration document issued will be covered by the revenue from fees for applications for leave to remain.

¹ Within the meaning of section 5 of the UK Borders Act 2007, c.30.

3. Matters of special interest to the Joint Committee on Statutory Instruments.

3.1 These regulations specify fees in respect of certain of those matters for which the Secretary of State has stated that she intends to charge a fee as specified in the Immigration and Nationality (Fees) Order 2007 (as amended by the Immigration and Nationality (Fees) (Amendment) Order 2008), (the “2007 Order”). The fees specified in these regulations are in respect of those applications or processes for which the fee will be set at or below cost recovery levels in line with the Government’s charging model. Fees for other application types specified in the 2007 Order for which:

(a) the fee will be set at an amount above the administrative cost of making the application, in reliance of section 42(1) (as amended as by section 20 of the UK Borders Act 2007 (‘the 2007 Act’)) of the Asylum and Immigration (Treatment of Claimants, etc.) Act 2004 (‘the 2004 Act’); or for which:

(b) the fee will contain an element of cross subsidisation of other applications which are to be charged below the administrative cost, in reliance of section 42(2A) (as inserted by section 20 of the 2007 Act) of the 2004 Act;

must, by virtue of section 42(7) of the 2004 Act be laid before and approved by a resolution of each house of Parliament. Regulations in respect of certain of these applications that are being introduced between 30 June 2008 and the end of 2008 have been laid on 14 May 2008.

3.2 Some of the fees specified in these Regulations are to come into force as of 30 June 2008 and others will be introduced by the end of 2008. The Secretary of State is of the view that is preferable to specify all of these fees in these Regulations to avoid laying the Regulations during Parliamentary recess. Specifying fees in this way also presents a consolidated picture of the overall charging plan for 2008, since fees to be introduced before the end of 2008 that are set over administrative cost are specified in affirmative regulations which were laid on 14 May 2008 in order that they are debated before Parliamentary recess. The tables below set out the fee levels for the new fees set in these regulations and, where applicable, the fee for the comparable route that is being replaced:

The following table shows fees for applications that will be implemented as of 30 June 2008:

<u>Application Type</u>	<u>Current Fee</u> <u>(£)</u>	<u>New Fee (£)</u>
-------------------------	----------------------------------	--------------------

Sponsorship Licence for a small sponsor ² in respect of Tier 2 Migrants	N/A	300
Sponsorship Licence in respect of Tier 4 Migrants	N/A	400
Sponsorship Licence in respect of Tier 5 Migrants	N/A	400
Sponsorship Licence for a small sponsor in respect of Tier 2 and Tier 4 Migrants	N/A	400
Sponsorship Licence for a small sponsor in respect of Tier 2 and Tier 5 Migrants	N/A	400
Sponsorship Licence for a small sponsor in respect of Tier 2, Tier 4 and Tier 5 Migrants	N/A	400
Sponsorship Licence for a small sponsor in respect of Tier 2 and Tier 4 Migrants, where a valid licence is held in respect of Tier 2 Migrants	N/A	100
Sponsorship Licence for a small sponsor in respect of Tier 2 and Tier 5 Migrants, where a valid licence is held in respect of Tier 2 Migrants	N/A	100
Sponsorship Licence for a small sponsor in respect of Tier 2, Tier 4 and Tier 5 Migrants, where a valid licence is held in respect of Tier 2 Migrants	N/A	100

The following table shows fees for applications that will be implemented before the end of 2008:

<u>Application Type</u>	<u>Current Fee (£)</u>	<u>New Fee (£)</u>
Entry Clearance as a Tier 5 Migrant	99-200 ³	99
Leave to Remain in the UK as a Tier 5 Migrant (postal application)	395	100
Certificate of Sponsorship in respect of a Tier 5	N/A	10

² Persons that qualify under the regulations as a small sponsor are small companies as defined in sections 382 and 383 of the Companies Act 2006 (the '2006 Act'), or businesses who are not companies for the purposes of sections 382 and 383 of the 2006 Act and who employ no more than 50 employees, and charities.

³ Tier 5 is a new category under the Points Based System amalgamating several existing types of temporary work visa for performers, sports or voluntary workers for which the fee was between £99 and £200.

Migrant or Group of Tier 5 Migrants ⁴		
Application for a biometric immigration document ⁵	N/A	30

4. Legislative Background

4.1 Powers as stated on SI.

5. Territorial Extent

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy Background

7.1 During the course of 2003/04 the Home Office introduced charges for a range of immigration applications to ensure that those who use and benefit from the UK's immigration system met the costs of delivering the administrative service provided.

7.2 A further public consultation exercise on charging for immigration and nationality applications was undertaken from 30 October to 22 December 2006, supported by the publication of *A consultation on a new charging regime for immigration & nationality fees*. The consultation document was made available on the Home Office website and also sent to 3000 people and organisations. The formal Government response to the public consultation was published on 7 March 2007, and established the principle that those who benefit most from the immigration system should pay proportionately more towards the true end to end costs of the system, rather than seeking to fund improvements wholly via general taxation.

⁴ A certificate of sponsorship covers both actual and *potential* applications in respect of a Tier 2 migrant because a certificate will be issued by the sponsor to a migrant before the migrant makes an application for entry clearance or leave to remain in the UK. The certificate is a pre-requisite to a successful migrant application. In addition, a single Tier 5 certificate may cover a group of migrants' applications for entry clearance or Leave to Remain in the UK.

⁵ A document recording biometric information within the meaning of section 5 of the UK Borders Act 2007, c.30.

- 7.3 A further targeted consultation exercise on fees and charges to support the Points Based System and for biometric immigration documents was held between 24 October to 9 November 2007. We consulted key stakeholders, based around – but not limited to – the membership of the UK Border Agency’s existing stakeholder taskforces which include representative bodies and umbrella organisations. We set out a number of proposals in a letter sent to 493 bodies and individuals, and received 132 written responses. In addition we met with 119 individuals at consultation meetings.
- 7.4 The majority of respondents including most of those from business supported the proposal to continue to set some fees above cost recovery levels including Tier 1, Tier 2 and sponsorship licence application fees for medium and large sponsors. Ernst & Young stated that “We feel that it is acceptable that Tier 1 and Tier 2 applicants should pay slightly higher fees as they are the applicants that will potentially earn greater money”. Hodson-Wren Associates agreed that fees for applications for entry clearance or leave to remain under Tier 1 and Tier 2 should be set at above normal cost recovery levels.
- 7.5 The majority of respondents, including those from the arts and entertainment sector, also supported the proposal to set a lower fee for applications for entry clearance and leave to remain in the UK under Tier 5 of the Points Based System. This is in recognition of the need to maintain the UK’s competitive position in the international market, and of the cultural benefits that arts and sports performers and voluntary workers can bring to the UK.
- 7.6 These regulations also set the fee for an application for a biometric immigration document made separately from an immigration application (including lost, damaged and stolen cards) for a foreign national at £30.
- 7.7 On 30th January 2008 we announced that the proposed fee for an application for a replacement biometric card made separately from an immigration application (including for lost, damaged or stolen cards) for foreign nationals would be £30 and in 2008/2009 there would be no additional charge for an identity card for foreign nationals issued as part of an immigration application.
- 7.8 We are including the costs of the biometric ID card programme in the fee charged for all applications where a card will be issued in due course, although we will only issue cards for certain selected routes in the first instance. This proposal was welcomed by stakeholders. GuildHE stated that “In principle it seems sensible for the costs of the new biometric systems to be spread” and National Campaign for the Arts stated “The NCA recognises the benefit of cross subsidy for Biometric ID cards to avoid excessive costs in the initial stage”.

7.9 In this way, we are managing the costs of the biometric ID card programme in line with Her Majesty's Treasury's Fees and Charges Guidance, to minimise the impact of the start up costs and to keep the impact on 2008/2009 fees as low as possible, by keeping fees for immigration and nationality applications at broadly their current levels.

8 Impact

8.1 An impact assessment is attached in respect of the proposed fees for migrants applying under Tier 5 of the points based system, because those fees are reduced by this SI. An impact assessment of the fees for sponsorship was prepared with the Immigration and Nationality (Fees) (Amendment) Regulations 2008, which were laid on 30th January 2008. Separate impact assessments have been prepared on the wider policy on Tier 5, biometric immigration documents and sponsorship, and will be made available on the UK Border Agency website at www.ukba.homeoffice.gov.uk.

9. Contact

9.1 Chris Nickson at the UK Border Agency, e-mail Chris.Nickson2@homeoffice.gsi.gov.uk or tel: 01142072446, can answer any queries regarding the instrument.

Summary: Intervention & Options

Department /Agency:
UK Border Agency

Title:

Impact Assessment of Fees for Tier 5 of the Points Based System for Immigration

Stage: Final

Version: 1.1

Date: 07/05/2008

Related Publications: Temporary Workers and Youth Mobility Under the Points Based System: Statement of Intent; Points Based System: tier 5 impact assessment.

Available to view or download at:

www.ukba.homeoffice.gov.uk

Contact for enquiries: Charging Policy, Vulcan House, Sheffield, PO Box 3468, S3 8WA

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

The Border Agency wishes to implement Tier 5 of the Points Based System for managed migration, based on that operated in Australia. The fee for this route must be set at a level that will continue to ensure that the UK receives the cultural, religious, social and international development benefits of particular types of temporary workers and youth mobility.

What are the policy objectives and the intended effects?

The Government's general policy objectives on charging for immigration are:

- to charge fees that recover the true end-to-end costs of the system from those who use it;
- that those who benefit most should pay proportionately more, helping to reduce the burden on the taxpayer;
- that fees should be clear and straightforward, and easily understandable to our customers.

The specific policy objective of Tier 5 is that the UK will continue to receive cultural, social, religious and international development benefits from Tier 5 migrants, whilst reducing risks of abuse of the immigration system. Although the objective of end-to-end cost recovery will apply in aggregate, it will not, therefore, be a specific objective of Tier 5.

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

Option 1: Do minimum, Retain current fees of £65 to £205 for visas for current equivalent routes and £395 for leave to remain

Option 2: Set fee for initial entry at £99 and leave to remain at £100

The preferred option is option 2 as this reduction in fees helps support both charging and Tier 5 policy objectives.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? Regular review of volumes of applications against projected demand with assumption of fee change to reflect cost charges

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:

Liam Byrne.....Date: 16th May 2008

Summary: Analysis & Evidence

Policy Option: 2

Description: Set Tier 5 fee for initial entry at £99 and leave to remain at £100

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups'. Lowering of fees reduces government revenue from abroad and requires fees for other PBS tiers to be increased to meet objectives of charging policy.
	One-off (Transition)	Yrs	
	£ 0	10	
	Average Annual Cost (excluding one-off)		
	£ 8.1 million		
Total Cost (PV)			£ 69.8 million
Other key non-monetised costs by 'main affected groups'			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Increase in economic output from modest increased take up of Tier 5 routes in response to price fall.
	One-off	Yrs	
	£ 0	10	
	Average Annual Benefit (excluding one-off)		
	£ 3.9 million		
Total Benefit (PV)			£ 33.5 million
Other key non-monetised benefits by 'main affected groups' Increased support for fulfilling Tier 5 objectives through modest increase in volumes of migrants. Realisation of 3 rd objective of charging policy that fees should be clear, straightforward and easily understandable to our customers			

Key Assumptions/Sensitivities/Risks Estimate is dependant upon price elasticity assumptions of migrant workers.

Price Base Year 1008	Time Period Years 10	Net Benefit Range (NPV) £ -61m to +4m	NET BENEFIT (NPV Best estimate) £ -31.6 million
-------------------------	-------------------------	---	---

What is the geographic coverage of the policy/option?		UK Wide		
On what date will the policy be implemented?		Autumn 2008		
Which organisation(s) will enforce the policy?		UK Border Agency		
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?		£ 0		
What is the value of changes in greenhouse gas emissions?		£ 0		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
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

Evidence Base (for summary sheets)

1. BACKGROUND TO TIER 5

In 2006, following an extensive public consultation, we published proposals to modernise and strengthen our immigration system by bringing in an Australian-style points system comprising five tiers:

- Tier 1 Highly skilled individuals to contribute to growth and productivity.
- Tier 2 Skilled workers with a job offer to fill gaps in the UK labour force.
- Tier 3 Low skilled workers to fill specific temporary labour shortages.
- Tier 4 Students.
- Tier 5 Youth mobility and temporary workers: people coming to the UK to satisfy primarily non-economic objectives.

Tier 5 of the points based system comprises the Youth Mobility Scheme and temporary worker categories which will allow people to travel to the UK to satisfy principally non-economic objectives.

Tier 5 will embrace:

Temporary worker – Creative and Sporting

For those coming to the UK as sportspeople, entertainers or creative artists for short periods of time, primarily to perform, compete or otherwise take part in one event or a series of events.

Temporary worker - Charity Workers

For migrants coming to work temporarily in the UK as voluntary workers for a charity.

Temporary worker – Religious Workers

For migrants coming to work temporarily in the UK either as a religious worker in a non-pastoral role, where the duties include performing religious rites but not preaching to a congregation, or as a visiting religious worker.

Temporary worker – Government Authorised Exchange

For migrants coming through approved schemes aimed at sharing knowledge, experience and best practice.

Temporary worker – International Agreement

For migrants who are coming to the UK under contract to provide a service that is covered under international law, including GATS, similar bilateral agreements, employees of overseas governments and international organisations, and the provision for private servants in diplomatic households.

Youth mobility Scheme

For young people to travel to the UK to satisfy principally non-economic objectives.

There will be two ways of applying under this tier of the points system:

- Entering the UK under Tier 5;
- Extending a stay in the UK in Tier 5.

There will be a single application process, whether in or outside the UK. All Tier 5 migrants will require a certificate of sponsorship in order to obtain leave. Any Tier 5 migrant wishing to enter the UK under PBS will require prior entry clearance.

This Impact Assessment examines the costs and benefits of the different charging options for the Tier 5 migrant tier which is to be implemented before the end of 2008. A separate Impact Assessment considering the wider impacts of the policy for Tier 5 has been published at www.ukba.gov.uk.

For further information on Tier 5, please refer to '*Temporary workers and youth mobility under the Points Based System – (Tier 5): Statement of Intent*' also published at www.ukba.gov.uk.

2. BACKGROUND TO CHARGING

During the course of 2003 and 2004, the Home Office introduced charges for a range of immigration and nationality applications. The first phase of full cost recovery charging sought to ensure that those who use and benefit from the UK's immigration service met the costs of delivering the administrative service (including staffing and overhead costs) of processing applications to the point of making and conveying a decision.

The IND Review (<http://www.homeoffice.gov.uk/documents/ind-review-250706/ind-review-eng>) published in July 2006 stated that we should charge a fair and economic rate for our services but also one that reflects the true operational costs of the immigration system rather than just administrative costs.

As the UK Border Agency implements the various measures outlined in the Review, including the Government's plans to introduce the new Points Based System (PBS) for managed migration, we need to consider how these improved immigration services are paid for. We know that migrants contribute to our economy, and we are clear that any new fees we set for migrants to come to the UK must not adversely impact on the many wider benefits that legal migration brings. But it is right to take the approach that our charging strategy should better reflect the end-to-end cost of the whole immigration system, from initial application to enforcement and compliance activity.

3. RATIONALE FOR GOVERNMENT INTERVENTION

The IND Review signalled the biggest shake-up of the immigration system in its history, with a key component of the new approach being a step-change in the enforcement and compliance activity to ensure that the immigration laws are enforced.

The Government's position on this was laid out in the cross-Government enforcement strategy *'Enforcing the Rules: a strategy to ensure and enforce compliance with our immigration laws'* published on 7 March which committed around £100m extra for immigration policing, detention space, and systems to share data and intelligence on those here illegally, designed to bear down on those seeking to cheat the system and live illegally in the UK

It was agreed that there should be no increase to general taxation to fund this strategy. Resources will be raised through a new approach to the pricing of visas and immigration products so that those who directly benefit from our services pay more to fund the end-to-end process from initial application to enforcement and compliance activities. This approach to pricing applies directly to Tier 5, and is fully outlined in the Government's charging strategy for immigration and nationality fees:

<http://www.bia.homeoffice.gov.uk/sitecontent/documents/aboutus/consultations/closedconsultations/newchargingregime/responses.pdf>

The Government's policy objectives on charging are:

- To raise an extra £100m above administrative cost recovery to fund the true end-to-end costs of the immigration system from initial application to enforcement and compliance activities
- To rebalance the funding of the immigration system to ensure that those who benefit most from the service make a larger contribution
- To develop a fees model that is clear, straightforward and easily understood to our customers

The Government's policy objective on the implementation of Tier 5 is:

- To ensure that the UK continues to receive the cultural, social, religious and international development benefits of particular types of temporary workers and youth mobility, whilst reducing risks of abuse of the immigration system.

4. OPTIONS

The first objective of our charging strategy is to be met by setting higher fees for various routes within the PBS. For Tier 5, we have decided to reduce the fees and so this Tier will not fully contribute to the objectives of our charging strategy. Reducing fees will, however, help to achieve the Tier 5 policy objective.

Option 1: Do nothing, retain current fees of £65 to £205 for initial entry and £395 for Leave to Remain

Option 2: Set fee at £99 for initial entry and £100 for leave to remain

5. COSTS AND BENEFITS

Benefits

- Increased support for fulfilling Tier 5 objective through modest increase in flows of temporary workers resulting from lower fees.
- Supports the charging objective that those who benefit most from the system pay most. Reduced entitlements to migrants applying under Tier 5 compared to other PBS tiers.
- Supports the charging objective to have clear and straightforward fees that are easily understandable, by simplifying a range of fees into 2 single fees.

Costs

- Reduced contribution to recovering end-to-end costs of the immigration system necessitates higher fees for other PBS routes.

6. NET BENEFIT CALCULATION

Current Tier 5 equivalent routes charge between £65 and £205 for entry to the UK. Some routes already currently charge £99 but others will see changes in prices as a result of the flat £99 charge for all Tier 5 migrants. In addition, charges for leave to remain will reduce from £395 to £100. Though currently only a relatively small number migrants apply for leave to remain for these routes. The table below shows the current prices charged for temporary migrants.

Categories / current fees for temporary migrant routes:

Categories	Current Fee £
Temporary Worker sub category	
Entertainers concession	99
Some Work Permits in the creative and sporting sector	205
Exchange teachers and language assistants	205
General Agreement on Trades in Services (GATS)	205
International Association for the Exchange of Students of Technical Experience (IAESTE)	205
International Fire Fighter Fellowship Programme	65
EU Leonardo da Vinci Programme	99
Rudolf Steiner	205
Sportspersons concession	99
Medical Training Initiative	205
Training and Work Experience Scheme (TWES)	205
China Graduate Work Experience Programme	205
Vander Elst	205
Non-pastoral religious workers	205
Visiting religious workers	205
Voluntary workers	99
Overseas Domestic Workers (in Diplomatic Households)	205
Overseas Government Employees	205
Youth Mobility sub-category	
Commonwealth Working Holidaymaker Scheme	205

Au Pair rules	205
BUNAC Scheme concession	205
Gap Year entrants concession	205
Japan: Youth Exchange Scheme concession	205
Research assistants to Members of Parliament concession	205
Leave to Remain (for temporary routes)	395

Many of the above routes are very small with only a few migrants per year admitted to the UK. For many of these, only very limited data exists and so it is not possible to undertake NPV calculations to any degree of accuracy. The objectives of many of these routes are also largely non-economic so making any costing exercise problematic. For these reasons, we focus on the routes with the largest volumes of migrants, the most easily assessable data and the most clearly identified economic impacts for the NPV calculation. These routes include the creative and sporting work permits and the youth mobility sub category.

Data is available for the TWES scheme with which we could estimate impacts. However, we choose not to as there are no specific provisions for this scheme within Tier 5, some may choose to enter the UK through Tier 2 of the PBS and, given that this is a training and work experience scheme, the impact on UK output may well be limited.

From historical data, we estimate that around 33,400 migrants entered the UK with work permits in the creative and sporting categories and 500 applied for leave to remain, a further 42,100 entered under routes that would qualify under youth mobility. In line with the Impact Assessment published for the Tier 5 policy, we assume that migrants through the creative and sporting category increase UK output by £7,000 per head. For youth mobility migrants, we assume that 50% work full time (37 hours a week) for the first year and a further 40% of those work full time for their second year in the UK with productivity assumed to be proxied by salary (minimum wage of £5.52 an hour)⁶.

Assuming a wage elasticity of labour supply of 0.5 applied to the full expected wage during their stay in the UK, we expect volumes to increase by 246 and 292 for these routes respectively for creative and sporting and youth mobility in response to the lowering of price. A further increase of 10 migrants applying for leave to remain is estimated. This results in an increase in output of £33.5 million over 10 years but a decrease in government revenue from outside the UK of £69.8 million (discounted by 3.5% a year). The NPV calculation is therefore -£31.6 million over 10 years. The NPV range of -£61m to £4m is calculated using a wage elasticity range of 0 to 1.1 as indicated by available evidence in the annex to this assessment.

7. OTHER SPECIFIC IMPACT TESTS

Having carefully considered the remaining specific impact tests, we conclude that this fee increase will have no significant effect in those areas.

⁶ Please see Tier 5 Impact assessment for further explanation of these assumptions

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	No	No
Small Firms Impact Test	No	No
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

Annexes

Table 1: Empirical studies of the wage elasticity of labour supply

Source	Estimate of wage elasticity of labour supply*	Measure
R. E Lucas and L. A. Rapping, "Real Wages, Employment and Inflation", <i>Journal of Political Economy</i> , 77 (1969).	Short run: 1.12 – 1.13 (95% significance) Long-run: -0.07 – 0.58	Change in real wages on labour supply using US data 1929-1965
Y. Chang and S. Kim, "On the aggregate labour supply", <i>Federal Reserve Bank of Richmond Economic Quarterly Volume 91/1 Winter 2005</i> .	1.0	Aggregate labour supply elasticity
L. Osberg and S. Phipps, "Labour Supply with Quantity Constraints: Estimates from a Large Sample of Canadian Workers", <i>Oxford Economic Papers, New Series, Vol. 45, No. 2. (Apr., 1993), pp. 269-291</i> .	Between +0.1 and -0.1	Wage elasticity of labour supply in the Canadian Labour Market
P. Bingley and G. Lanot, " <i>The Incidence of Income Tax on Wages and Labour Supply</i> ", <i>National Centre for Register-based Research (NCRR), Version 5.002 31 October 2000</i>	-0.4	Elasticity of labour supply in the Danish Labour Market

*Note that the estimated wage elasticity of labour supply includes negative values indicating backward sloping or backward bending labour supply curve. This is due to the income effect outweighing the substitution effect. For a higher wage, individuals can decrease labour supply and enjoy the same level of consumption.