

Title: Migration Interim Limits (PBS Tier 1 and Tier 2) Lead department or agency: The Home Office Other departments or agencies: HM Treasury, Business, Innovation and Skills, Department for Work and Pensions, Health, Education, Communities and Local Government, Cabinet Office and Foreign and Commonwealth Office	Impact Assessment (IA)
	IA No: HO0007
	Date: 28/06/2010
	Stage: Final
	Source intervention: Domestic
	Type of measure: Secondary legislation
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Summary: Intervention and Options

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

The Government believes that Britain can benefit from migration, but not uncontrolled migration. Unlimited migration places pressure on public services, school places, and the provision of housing, all of which causes problems for certain local communities.

The introduction of limits to non-EU migration will support the policy to reduce net migration to tens of thousands. The introduction of full limits on migration could see a surge in applications, and consequently grants, in the interim period before implementation. This would be problematic and interim limits are intended to avoid this.

What are the policy objectives and the intended effects?

The policy objectives in applying limits on the number economic migrants are:

- to reduce net migration;
- to reduce any adverse social impacts of immigration;
- to continue to attract the brightest and the best people to the UK.

The additional policy objective in applying interim limits is to ensure that the expectation that limits will be imposed in the medium-term does not encourage a spike in applications for admission in the short-term.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

We have considered the following options:

Option 1. Do nothing - this does not fully meet all the objectives;

Option 2. Apply limit to Tier 1 (General) which will limit approvals to the same level as the equivalent period in 2009; apply a limit to Tier 2 (General) which will limit approvals at a level 1,300 (or around 6%) below 2009 levels for the equivalent period for this category; and raise the points threshold for Tier 1 (General) for new applications from 95 to 100 points.

Other options were considered, for example increasing the qualification criteria only, but were seen as less certain to prevent a short-run surge in applications or contribute to a small reduction in PBS migration.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	It will be reviewed 04/2011
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

SELECT SIGNATORY Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible SELECT SIGNATORY:..... Date:.....

Summary: Analysis and Evidence

Policy Option 1

Description:

Price Base Year 2010	PV Base Year 2010	Time Period Years 1	Net Benefit (Present Value (PV)) (£m)		
			Low: -£0.29m	High: -£0.78m	Best Estimate: -£0.53m

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£0.15m	1	£0.51m	£0.66m
High	£0.15m		£1.32m	£1.47m
Best Estimate	£0.15m		£0.92m	£1.07m

Description and scale of key monetised costs by 'main affected groups'

The main costs are the loss of Tier 1 and 2 application revenue of £920,000 (a range of £660,000 to £1,070,000) as the number of Tier 1 and 2 migrants is reduced by this policy. There are two one-off costs: (i) Familiarisation costs to the private and third sectors which amount to £100,000; (ii) Changes to the IT system (no more than £50,000).

Other key non-monetised costs by 'main affected groups'

As fewer migrant workers will be available, there may be negative impacts in the short-term on businesses and the labour market, particularly in sectors where there are higher volumes of migrant workers. Over the longer-term, we expect businesses to adapt to the changes by adjusting production.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	£0.0m	1	£0.37m	£0.37m
High	£0.0m		£0.69m	£0.69m
Best Estimate	£0.0m		£0.53m	£0.53m

Description and scale of key monetised benefits by 'main affected groups'

The main benefit to this policy change is the decrease in UKBA case-working costs, due to a reduction in the volume of Tier 1 and 2 applicants, of £530,000 (a range of £ 370,000 to £690,000).

Other key non-monetised benefits by 'main affected groups'

There may be some short-term benefits to UK and EEA workers due to the limits to non-EEA workers. The policy is also designed to continue to attract the brightest and the best highly skilled migrants and to encourage the upskilling of UK resident workers. UK resident workers and employers will be encouraged to increase their skills.

Key assumptions/sensitivities/risks

Discount rate (%)

n/a

Key assumptions are the reduction in volumes associated with the interim limit. If the reduction in application and grant volumes is higher or lower than 1,300 in Tier 2, the scale of impacts will be proportionately higher or lower.

There is a risk that applicants who do not qualify for the new points requirement (100 points) will inflate their 'other earnings' in order to secure 100 points. A further risk is that some applicants, who will view Tiers 1 and 2 as 'too difficult' to get into, will then displace into other routes. Neither of these risks are quantifiable.

Impact on admin burden (AB) (£m):			Impact on policy cost savings (£m):	In scope
New AB: 0	AB savings: 0	Net: 0	Policy cost savings: 0	No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?		United Kingdom			
From what date will the policy be implemented?		19/07/2010			
Which organisation(s) will enforce the policy?		UK Border Agency			
What is the annual change in enforcement cost (£m)?		N/A			
Does enforcement comply with Hampton principles?		Yes			
Does implementation go beyond minimum EU requirements?		No			
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: N/A		Non-traded: N/A	
Does the proposal have an impact on competition?		No			
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?		Costs: N/A		Benefits: N/A	
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro N/A	< 20 N/A	Small N/A	Medium N/A	Large N/A
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties ¹ Statutory Equality Duties Impact Test guidance	No	15
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	15
Small firms Small Firms Impact Test guidance	No	16
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	n/a
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	n/a
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	n/a
Human rights Human Rights Impact Test guidance	No	n/a
Justice Justice Impact Test guidance	No	n/a
Rural proofing Rural Proofing Impact Test guidance	No	n/a
Sustainability Sustainable Development Impact Test guidance	No	n/a

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Implementation).

No.	Legislation or publication
1	HM GOVERNMENT (2010) <i>The Coalition: our programme for government</i> , Cabinet Office, May, London, p21.
2	HM GOVERNMENT (2010) The Queens Speech, www.number10.gov.uk , 25 th May, London.
3	
4	

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs	0.15									
Annual recurring cost	0.62									
Total annual costs	1.07									
Transition benefits	0.00									
Annual recurring benefits	0.53									
Total annual benefits	0.53									

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

A. Strategic Overview

A.1 Background

The Government is committed to the introduction of an annual limit on the number of non-EU economic migrants admitted into the UK to live and work. It is consulting on what these limits should be and how they should be implemented. In the meantime, it intends to apply interim limits to economic migrants seeking admission under the Points Based System (PBS). This Impact Assessment (IA) is concerned with those interim limits.

The Points Based System was introduced between February 2008 and March 2009 in phases and replaced over 80 predecessor routes, wrapping them up into five simple tiers. Economic migration is primarily catered for through Tiers 1 and 2. Tier 3 exists to accommodate low skilled migration to the UK. However, this route will remain closed so long as there is a sufficient amount of low-skill labour available from within the UK and the European Union. This is summarised below:

Summary of the Points Based System

- Tier 1:** Highly Skilled migrants
- Tier 2:** Skilled workers with a job offer
- Tier 3:** Low skilled workers (currently suspended)
- Tier 4:** Students
- Tier 5:** Temporary Workers and Youth Mobility - primarily for non-economic reasons.

A.2 Groups Affected

Those affected by the policy are:

- Government departments, including the UK Border Agency which is responsible for administering the PBS and other Government departments which have an interest in its deliverables;
- UK-based employers (including the UK branches of multinational companies); and
- Potential PBS migrants in Tiers 1 and 2.

A.3 Consultation

Within Government

The Government departments consulted or involved in the formulation of the interim limit include: the Home Office, HM Treasury, Business, Innovation and Skills, Department for Work and Pensions, Better Regulation Executive, Health, Education, Communities and Local Government, Cabinet Office and Foreign and Commonwealth Office

Public Consultation

Proposals for an interim limit have not been the subject of a public consultation exercise.

B. Rationale

Rationale for interim limits

The Government believes that Britain can benefit from migration, but not uncontrolled migration. Unlimited migration places pressure on public services, school places, and the provision of housing, all of which causes problems for certain local communities. Whilst the government wants to attract the brightest and best, it is clear that migration policy should also aim to reduce any adverse social impacts of immigration.

The Government intends to reduce net migration to the level of the 1990s – tens of thousands, not hundreds of thousands. One of the ways we will achieve this is through the introduction of an annual limit on the number of non-EU economic migrants admitted into the UK to live and work. Such a limit will form only one part of our system of controls on migration, controls that will provide the public with greater confidence in the system.

The introduction of limits on migration could see a surge in applications, and potentially grants. This could be problematic and interim limits are intended to avoid this. The consequences of such a surge would be:

- a surge in net migration which would be contrary to the Government's policy of reducing net migration and which may require a more severe correction in terms of a future numerical limit than would otherwise be the case;
- a spike in the number of foreign nationals entering the labour market (Tier 1 nationals are not required to have a job offer in order to qualify) just as the Government introduces a policy aimed at reducing dependence on overseas labour; and
- a surge in UKBA's caseload which would necessarily impact on service standards for PBS applications and other workstreams.

Given the risks highlighted above, there is a rationale to introduce interim limits on PBS migration to ensure that the expectation that limits will be imposed in the medium-term does not encourage a spike in intake of applications for admission in the short-term. In addition, interim limits will contribute to a small but initial reduction in economic migration, to support the government aim to reduce net migration over the course of the parliament.

C. Objectives

Policy objectives in applying limits on the number of economic migrants are:

- to reduce net migration;
- to reduce any adverse social impacts of immigration; and
- to continue to attract the brightest and the best people to the UK.

The additional policy objective in applying interim limits is to ensure that the expectation that limits will be imposed in the medium-term does not encourage a spike in intake of applications for admission in the short-term.

The interim limits will apply until the end of March 2011, at which point the first full-year limit will come into effect. The Government will set this limit following advice from the Migration Advisory Committee.

D. Options

Option 1 – do nothing

This option would not address the risk of a surge in applications and potential grants. The Government is assuming this risk to be a well-founded one. The implementations of previous changes in PBS criteria have been accompanied by “closing down sale” effects.

The risk is probably lower in relation to Tier 2 where applications are linked to a sponsor’s wish to fill a specific vacancy. Nevertheless, sponsors may accelerate their recruitment processes in order to beat the imposition of numerical limits. In the case of Tier 1, the risk of a surge is greater because qualification is not linked to the migrant having an offer of employment. Not only does this mean that the absence of job offers would not provide a brake on the number of applications, it also means that a surge in applications may translate into a surge of foreign nationals entering the labour market in search of work.

The risk in connection with Tier 1 may be mitigated to some extent by the criteria changes which were introduced on 6 April 2010 and which, in particular, introduced tighter requirements in terms of previous earnings. On the other hand, these changes also re-opened Tier 1 to holders of sub-postgraduate qualifications. It is too early to assess the overall impact of these changes in terms of levels of applications. It is doubtful that, overall, they would entirely constrain a surge in application levels.

Option 2 – apply interim limits to Tier 1 (General) and Tier 2 (General) categories that will limit applications to historical levels; and raise the Tier 1 (General) Points Threshold to 100 points

More specifically, this option would involve the following package of measures:

- (i) for the duration of the interim limits, the number of approvals in the Tier 1 (General) category would be limited at a level equal to 2009 levels for the equivalent period, and the number of approvals in the Tier 2 Resident Labour Market Test and Shortage Occupation categories would be limited at a level 1,300 or around 6% less than 2009 levels for the equivalent period. The Tier 2 limit will be achieved by limiting the number of Certificates of Sponsorship that a licensed sponsor is authorised to issue; and
- (ii) the threshold for qualification under Tier 1 (General) would be increased from 95 points to 100, points.

The limits at (i) would not apply to Tier 1 Post-Study, Entrepreneur, Investor categories, nor do they apply to dependants. Also excluded are those who extend a Tier 1 (or equivalent) visa in-country, or who switch into Tier 1 from another Tier. The Tier 2 limits would not apply to the Tier 2 (Intra-Company Transfers (ICT)), Elite Sports People or Ministers of Religion categories, or to dependants.

The restriction at (i) would achieve the objective of heading off the possibility of a surge in applications in Tier 2. The 1,300 or around 6% reduction in the overall level in Tier 2 (General) is consistent with the wider aim of achieving a reduction in net migration. The increase in the threshold described at (ii) would additionally ensure that the interim limits operated in a way that reduced the possibility that those applicants with the most merit in terms of economic benefits were excluded by the operation of a limit on numbers.

E. Appraisal (Costs and Benefits)

Key Quantified Impacts – Option 1

There are no additional costs or benefits associated with option 1 – Do Nothing. However, option 1 would not address the risks associated with an initial surge in applications before full limits to migration are applied, nor would it lead to a small but certain short-run reduction in PBS migration.

Key Quantified Impacts – Option 2

Introduction

This Impact Assessment estimates the effects of imposing interim limits on the numbers of successful visa applications granted to non-EEA work-related migrants – those who access the UK labour market through Tiers 1 and 2 of the Points Based System.

The following assumptions have been used:

Tier 1:

The limit operates to keep the number of successful applications to the same levels in the equivalent period in 2009 - 2010; that is to say, from July 2009 to March 2010.

The increased points requirement will apply to new Tier 1 (General) applications, both in country and out of country. Entrepreneurs, investors and post-study applicants will not be affected by the increased points threshold. In addition, those who extend a Tier 1 visa in-country will face the same test as they faced for their initial application, so the new points threshold will not apply to them.

Tier 2:

The limit operates to keep the number of successful applications to 1,300 below the level in the equivalent period in 2009-10; that is to say, from July 2009 to March 2010. Tier 2 (ICT), Elite Sports People, Ministers of Religion, and any dependants are out of scope of any limit.

Volumes

Tier 1:

Tier 1 (General) visa approvals will be limited to the same volumes as the equivalent period in 2009. Volumes of approvals should therefore stay constant, assuming the volume of applications and grants remains the same as 2009 levels. We therefore assume there is **no overall reduction** in Tier 1 (General) visa approvals as a result of the interim limit. The interim limit will therefore be set **at 5,400** for Tier 1 (General) visa approvals for the period July 2010 to March 2011.

Tier 1 (General) volumes will fall if raising the Tier 1 qualifying points threshold (see the Tier 1 points table at **Annex A**) from 95 to 100 deters applicants. We are uncertain to what extent this constraint will bite. Based on analysis of the volumes of applicants to Tier 1 (General) for the period April to June 2010, if the points change bites fully, we estimate the volume of applicants deterred would be of the order of 5,000. But we consider impacts of this magnitude highly unlikely.

We think it is prudent to assume, for the purpose of providing a central estimate, that raising the Tier 1 qualifying points may cause volumes to fall by 10 per cent of the full impact identified above, broadly **500**. To provide an upper limit to the calculations we

assume double this number, approximately **1,000**. To provide a lower limit to the calculations we assume no Tier 1 applicants are deterred.

Tier 2:

The volume of certificates of sponsorship issued in the equivalent period in 2009 was around 20,000. The limit will lead to a reduction of **1,300**, which equates to around 6 per cent of Tier 2 (General).

Volumes affected

The lower, central and upper volume reduction estimates on the basis set out above are set out in **Table 1** below:

Table 1 – Estimated reductions in Tier 1 (General) and Tier 2 (General) Approvals

	Lower	Central	Upper
Tier 1 (General)	0	500	1,000
Tier 2 (General)	1,300	1,300	1,300
Total	1,300	1,800	2,300

Note – Tier 2 (General) includes Resident Labour Market Test and Shortage Occupation Route. These estimates are based on internal analysis of Management Information and are subject to change.

Tier 2 Sponsor Certificate of Sponsorship Allocation

The Certificate of Sponsorship (CoS) allocation for the period July 2010 to March 2011 will need to be adjusted due to the interim limit. This will ensure existing sponsors can continue using migrant labour and takes into account the requirement of new sponsors. UKBA will issue sponsors with guidance as to how this will operate and how many CoS will be reserved for urgent and critical business needs for an additional key worker above their CoS allocation.

Key Monetised Costs

The application of interim limits to economic migrants in Tiers 1 and 2 will have impacts on UKBA, on migrants that no longer quantify under Tier 1 and 2, and on employers who will be able to access fewer non-EEA migrant workers.

Public Sector

- Training costs – these are minimal and will be covered in ongoing training. They do not, therefore, impose any significant costs.
- IT costs – changes to IT are estimated to cost no more than £50,000.
- Assuming applications fall in line with the fall in Tier 1 and 2 grants, UKBA fee income would drop by £920,000. The range here is £510,000 per annum in the lower scenario and £1,320,000 per annum in the upper scenario; and

Private sector

- Familiarisation costs – these are estimated to be £60,000 for the private sector and £40,000 for the third sector.

Key Monetised Benefits

Public Sector

- Assuming applications fall in line with the fall in Tier 1 and 2 grants, UKBA case working costs for Tier 1 and 2 applications would fall by around £530,000. The range here is £370,000 per annum in the lower scenario and £690,000 per annum in the upper scenario.

Non-Monetised Impacts

Non-Monetised Costs

The key non-monetised costs are associated with transitional impacts on employers that have access to fewer migrant workers, particularly in sectors where there are higher volumes of migrant workers, for example Health, Education, Financial Services, Tourism and Hospitality, Business Services, Computer Services, and Public Administration. Further detail on the impact on business and the economy is discussed in the wider economic impacts section and in the Competition Assessment at **Annex 2**.

Non-Monetised Benefits

The key non-monetised benefits of interim limits are a reduction in the risk of a short-term surge in PBS applications and grants, and a small but positive reduction in economic migration, in line with the Government's stated policy objectives. In addition, there may be some short-term benefits to resident workers due to limits to non-EEA workers. The policy is also designed in both the short and long run to continue to attract the brightest and the best highly skilled migrants and to encourage the upskilling of UK resident workers.

Wider Economic Impacts

Interim limits (July 2010 to March 2011) to PBS Tier 1 (General) and Tier 2 (General) migration, and an increase in the points threshold for Tier 1 (General) applicants are likely to have a limited impact on the UK economy, fiscal position, and labour market, as the reduction in migration is relatively limited. A more significant impact would be expected to occur if greater limits to migration are applied in future years.

Impacts on business and the economy

The quantified impacts on the private sector of an interim limit on non-EU economic migration set out in this document are the direct impacts on firms' costs – the increase in their costs that results from any additional training that is required for their staff in adapting to the new system, or costs of familiarisation with it. But an additional impact on business will be that related to the production process itself and how it adjusts over time.

An initial estimate of the short-run impact of the regulatory change on the output of those businesses no longer able to employ a non-EU economic migrant could be derived from the volumes of migrants no longer employed and their average salary, which at the margin is a measure of their productivity. There are two reasons why such an estimate would be an uncertain approximation of the costs to British business, however.

First, just as the volume of Tier 1 migrants is limited to the level of the equivalent period in the previous year, the quality of those migrants should increase as the points test is stiffened, and hence the average wage of those Tier 1 migrants will adjust.

Second, and more generally, the way in which businesses will adapt to the regulatory change is also uncertain. It is possible, for example, that businesses may respond by changes to the capital intensity of their production methods, or by employing non-migrant labour as the supply of labour adjusts in the absence of overseas labour, helped by the expected response of the UK skills system. They may develop the skills of their existing workforce or use that labour more intensively.

Because the rate at which employers are able to adapt to the regulatory change is uncertain, and the precise impact of the regulatory change on the average productivity of migrants unknown, we have not attempted to calculate the wider economic impact of the change.

Consultation with business and other interested sectors on how the ultimate limit is implemented, and on what the level of that limit should be, will inform the final proposals, and the final impact assessment, and will aim to minimise any negative impacts on business. As the reduction in net migration will take place gradually, not immediately, the businesses will be able to adapt to the changes more smoothly through time.

F. Risks

Risks and Sensitivities

There is a risk that non-EEA migrants who need more points to qualify will report inflated 'other earnings or allowances' to UKBA in order to secure the 100 points necessary. Some non-EEA migrants may decide that Tiers 1 and 2 are too difficult to enter and so may displace to other tiers. Entry Clearance Officers are already trained to identify the forged documents that would be used to inflate earnings in this way and such applications will be refused. We do not have information that allows us to estimate the volumes affected although in the latter case this may be relatively small.

There is also a risk of a surge in Tier 1 *applications* but the policy will limit the extent of a corresponding increase in grants while still attracting the brightest and best migrants to contribute to the economy.

The main sensitivity to our estimates of costs and benefits are that they are driven by the potential changes in volumes. This is why we have prepared a lower and an upper limit as it is very difficult to foresee exactly how volumes will change in response to the introduction of an interim limit. If the volume changes are higher or lower, the impacts will be proportionately higher or lower.

The motivations that may affect switching between routes of entry to the UK involve a number of complex interactions that cannot be accurately understood and therefore we do not attempt to quantify them here. However given that the policy changes are small the expectation is that switching will also be a relatively minor effect. The policy and management information on other legal routes of entry will be monitored to understand if such a displacement risk arises.

G. Enforcement

UKBA already manages the PBS on behalf of the Government. It interacts with business, migrants and employers in a proportionate, fair and transparent method. It also carries out enforcement activity as well as policy guidance, operations and the provision of advice and assistance. The policy change does not alter any of UKBA enforcement and management activities therefore it will continue to conduct its business in line with Hampton principles.

H. Summary and Recommendations

Table 3 below outlines the costs and benefits of the proposed changes.

Table 3 – Summary Costs and Benefits of Option 2		
Option	Costs	Benefits
1	£0 million	£0 million
2	£0.97 million	£0.46 million

The preferred option is Option 2, as set out in the evidence above, as it is the only option which fully meets all the policy objectives. Although there is a negative net present value, this option supports the policy objectives identified above.

I. Implementation

Interim limits to Tier 1 (General) and Tier 2 (General) will be implemented from 19th July 2010, and will run to 31st March 2011.

J. Monitoring and Evaluation

The effectiveness of the new regime would be monitored by UKBA as the PBS allows for the collection of MI data. This is used to monitor and evaluate changes in the different tiers and sub-tiers. A formal review of the policy will take place in April 2011 and this will involve UKBA Immigration Policy and Economic and Resource Analysis (Home Office). The current data collection allows the relevant data to be collected and these data will be used in the review.

K. Feedback

The Analysis, Research and Knowledge (ARK) group within UKBA have conducted monitoring and surveys of PBS respondents, sponsors, employers and staff. Similar studies may be conducted and the feedback and findings from these will be incorporated into the review of the policy. Evidence-gathered during the consultation on full limits will also be used to inform the final impact assessment on migration limits.

L. Specific Impact Tests

See **Annex 2** for details.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added to provide further information about non-monetary costs and benefits from Specific Impact Tests, if relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their actual costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<p>Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];</p> <p>The review will be carried out in April 2011 and will seek to see how effective the policy has been and if it has achieved the policy objectives that it was designed for.</p>
<p>Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]</p> <p>It is primarily designed to check if the policy objective has been met but will also cover how it performed (ease of operation, effectiveness, any difficulties, how problems were overcome etc.).</p>
<p>Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]</p> <p>The review will analyse the PBS MI data, will look at economic data, use the PBS surveys to (especially) highlight concerns. It is not intended to be a long or difficult piece of analysis as it simply has to inform policymakers if the policy works well or not and how to proceed with further related policy design.</p>
<p>Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]</p> <p>Measured against 2009.</p>
<p>Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]</p> <p>If there is a reduction in PBS numbers where the interim limit applies and if there is no large increase in non-EEA applications in other employment routes.</p>
<p>Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]</p> <p>The current arrangements that are in place will remain.</p>
<p>Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]</p>

Annex 2. Specific Impact Tests

Statutory Equality Duties

Equality Impact Assessment

The UK immigration system has a very wide pool of potential users who can come from anywhere in the world. The criteria for entry and leave to remain are designed to maximise the economic benefits of migration and are the same for all potential migrants from outside the EEA.

This Equality Impact Assessment (EIA) is focussed solely on the impacts of the introduction of an interim limit to Tier 1 (General) and Tier 2 (General), and an increase in the points threshold for Tier 1 (General) of the points based system (PBS). It does not address the difficulties some groups may have in accessing these tiers, due to a wide range of social, educational and economic inequalities in different societies around the world. The UK immigration system cannot be used to mitigate much wider-ranging barriers and inequalities in the home countries of those who may wish to use it. This EIA, whilst noting stakeholder concerns, considers such inequalities outside its scope.

We also consider outside the scope of this EIA, discrimination that may be faced in the UK workplace.

Stakeholders have previously suggested that labour market discrimination in the UK against ethnic minorities, people with disabilities, women, trans-gendered people, and gay and bisexual people makes it harder for applicants from these groups to achieve the points criteria required under PBS. The immigration system is not, however, an appropriate or adequate tool to mitigate this.

Economic Impacts

Competition Assessment

The proposals for an interim limit to Tier 1 (General) and Tier 2 (General), and an increase in the points threshold for Tier 1 (General) could have an effect on any company that is employing (or will employ) non-EEA workers. We expect such impacts to be negligible during the interim limits period as the reductions in PBS migration are expected to be relatively low.

The key industries currently using the PBS cover both the private and public sector. Potentially affected sectors are Tourism and Hospitality, Financial Services, Business Services, Computer Services, Public Administration, Health and Education.

In the sectors employing migrants through the initial points based system policy we do not identify any significant market share issues when this is examined with reference to the 'competition guidance' framework set out by the Office of Fair Trading (see the Department for Business, Innovation and Skills website).

There are four main questions that are used to assess the impact of the policy change on competition:

- Will the policy proposal directly limit the number or range of suppliers?
- Will it indirectly limit the number or range of suppliers?
- Does it limit the ability of the suppliers to compete? And
- Does the policy change reduce the suppliers' incentives to compete vigorously?

Directly limit the number or range of suppliers

All of the sectors wishing to employ migrant labour will be treated equally. There will be no award of exclusive rights, or restrictions on suppliers with migrants, or will the policy create any forms of licensing scheme, and no fixed quotas will be introduced.

Indirectly limit the number or range of suppliers

Similarly there will be no indirect restrictions or adverse impacts on suppliers as they will all be party to the PBS in its proposed form.

Limit the ability of the suppliers to compete

There will be no controls, limits or restrictions that will impede suppliers competing geographically or in specific channels. They will remain free to organise their own production processes.

Reduce the supplier's incentives to compete vigorously

There will be no reduction in incentives for suppliers to compete vigorously. The use of migrant workers by employers is the result of shortages of particular types of labour (highly skilled and skilled). Migrant workers tend to be concentrated in sectors rather than specific firms within sectors. As such, we believe that our changes to Tiers 1 and 2 should not create any competition issues as the proposals apply equally to all firms in any particular sector.

Small Firms Impact Test

The introduction of an interim limit to Tier 1 (General) and Tier 2 (General), and an increase in the points threshold for Tier 1 (General) will be applied to small businesses in the same ways as other businesses. It is possible that some small businesses may find it more difficult than others to with the changes, but overall, the impacts of these proposals on small businesses should not be any greater than the normal adverse impacts they would encounter from the implementation of regulations. We expect any impacts to be negligible during the interim limits period as the reductions in PBS migration are expected to be relatively low.

UKBA will aim to understand the impacts of full migration limits on small firms, and will be gathering evidence during the consultation period before a final decision and final impact assessment are set out.

Annex A

Tier 1 Points Table

Highest qualification (or equivalent)		Previous earnings		Age		UK experience	
Bachelor degree	30	Under £25,000	0	Over 40	0	Qualification obtained in the UK (initial applications only)	5
Masters degree	35	£25,000 - £29,999	5	35 to 39	5		
PhD	45	£30,000 - £34,999	15	30 to 34	10		
		£35,000 - £39,999	20	29 or under (Age points will be modified accordingly for extension applications)	20	£25,000 or higher previous earnings in the UK	5
		£40,000 - £49,999	25				
		£50,000 - £54,999	30				
		£55,000 - £64,999	35				
		£65,000 - £74,999	40				
		£75,000 - £149,999	45				
		£150,000 or above	75				
Maintenance						10 (mandatory)	
English language						10 (mandatory)	