

Title: Consultation on the Points Based System Immigration Limits Lead department or agency: The Home Office Other departments or agencies: HM Treasury, Business, Innovation and Skills, Health, Education, Communities and Local Government, Cabinet Office and Foreign and Commonwealth Office	Impact Assessment (IA)
	IA No: HO0007
	Date: 15/06/2010
	Stage: Consultation
	Source intervention: Domestic
	Type of measure: Secondary legislation
Contact for enquiries: Ian Robinson (Immigration Policy) 0208 760 4129	

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 unacceptable pressure on public services, school places, and the provision of housing, all of which causes problems for certain local communities.

The independent Migration Advisory Committee (MAC) will consult on the level of the limit and make a recommendation. The scenarios set out in this impact analysis are for purely illustrative purposes. They do not pre-judge either the MAC's recommendations or the Government's decisions about whether to implement the recommendations.

What are the policy objectives and the intended effects?

Policy objectives in applying limits to numbers of economic migrants are:

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

The consultation on the limit is intended to inform policymakers of partners views so that policy design will be optimal to serving the needs of the Government, business, sponsors and the migrants who use the PBS.

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

We consider options which will limit approvals below 2009-10 levels for these categories.

Option 1 is to make no changes (do nothing) – this is not a viable option;

Option 2 To limit Tier 1 and 2 (General);

Option 3 To limit Tier 2 ICT;

Option 4 To merge and limit Tier 2 (Resident Labour Market Test and Shortage Occupation Route);

Option 5 Options on how the limit mechanism will operate (first-come-first served, a pool or employer selection) as well as additional measures employers may have to take.

There is no preferred option at this stage but while there will be consultation on various options, the Government has made it clear that it will be introducing limits on non-EU economic 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 04/2012
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

SELECT SIGNATORY Sign-off For consultation 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 SELECT SIGNATORY:..... Date:.....

Summary: Analysis and Evidence

Policy Option 1

Description:

Option 1 - Do Nothing

Price Base Year 2010	PV Base Year 2010	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate: £0

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate	£0	£0	£0

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

There are no additional costs for do nothing

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

There may be some costs to maintaining the status quo as immigration has diverse impacts in different areas. There are also potential pressures on housing, education, social services and health services. These are very difficult to quantify and many other factors other than immigration impacts on these costs.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate	£0	£0	£0

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

There are no identifiable benefits from this option.

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

The benefits from immigration to both business and society are very difficult to identify in a quantitative manner. These are discussed under the wider economics benefits section.

Key assumptions/sensitivities/risks See evidence base	Discount rate (%)	3.5%
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Impact on admin burden (AB) (£m): New AB: 0	AB savings: 0	Net: 0	Impact on policy cost savings (£m): Policy cost savings:	In scope No
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Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	United Kingdom				
From what date will the policy be implemented?	01/04/2011				
Which organisation(s) will enforce the policy?	UK Border Agency				
What is the total annual cost (£m) of enforcement for these organisations?	N/A				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	N/A				
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 duties¹? <u>Equality and Human Rights Commission: General guidance</u>	No	
Economic impacts		
Competition? <u>Competition Impact Assessment</u>	No	
Small firms? <u>Small Firms Impact Test</u>	No	
Environmental impacts		
Greenhouse gas assessment? <u>http://www.defra.gov.uk/environment/index.htm</u>	No	
Wider environmental issues? <u>Guidance has been created on the Defra site</u>	No	
Social impacts		
Health and well-being? <u>Health: Health Impact Assessment</u>	No	
Human rights? <u>Ministry of Justice: Human Rights</u>	No	
Justice?	No	
Rural proofing? <u>Commission for Rural Communities</u>	No	
Sustainability? <u>Defra: Think sustainable</u>	No	

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.

Summary: Analysis and Evidence

Policy Option 2

Description:

Option 2: Limit on PBS Tiers 1 and 2 (General)

Price Base Year 2010	PV Base Year 2010	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: - £7.4m	High: - £66.4m	Best Estimate: - £37.1m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£0.15m	£3.3m	£16.8m
High	£0.15m	£30.2m	£151.1m
Best Estimate	£0.15m	£16.8m	£83.9m

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

The main costs are the loss of Tier 1 and 2 application revenue (£83.9m over 5 years) as the number of Tier 1 and 2 migrants will be reduced by this policy. There may be additional one-off costs: (i) Familiarisation costs to the public, private and third sectors £100,000; (ii) Changes to the IT system for UKBA to operate the new system (no more than £50,000) but these are insignificant in comparison to the loss of revenue.

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

As fewer migrant workers will be available, there may be negative impacts on the UK economy, and in the short-term on businesses and the labour market. UK resident workers will be encouraged to increase their skills in line with the Department for Business, Innovation and Skills 'Skills Agenda'. There may be some costs to particular sectors (e.g. health, education, transport and tourism) in the short-term where there are significant numbers of migrant labour as the adjustment here may be more difficult.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	£0	£1.3m	£8.9m
High	£0	£16.1m	£80.4m
Best Estimate	£0	£8.9m	£44.7m

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 (£44.7m), due to a reduction in the volume of Tier 1 and 2 applicants.

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. The mix of up-skilling, substitution of labour from other sources or by capital make this effect virtually impossible to quantify but the reduction on a dependency of migrant labour supports the Department of Business, Innovation and Skills 'Skills Agenda'.

Key assumptions/sensitivities/risks

See evidence-base

Discount rate (%)

3.5%

Impact on admin burden (AB) (£m): New AB: 0	AB savings: 0	Net: 0	Impact on policy cost savings (£m): Policy cost savings:	In scope No
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Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			United Kingdom		
From what date will the policy be implemented?			01/04/2011		
Which organisation(s) will enforce the policy?			Home Office		
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 duties² Statutory Equality Duties Impact Test guidance	No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainability Sustainable Development Impact Test guidance	No	

² 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.

Summary: Analysis and Evidence

Policy Option 3

Description:

Option 3: Limit on PBS tier 2 (ICT only)

Price Base Year 2010	PV Base Year 2010	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: - £1.1m	High: - £9.8m	Best Estimate: - £5.4m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£0.15m	£0.83m	£4.3m
High	£0.15m	£7.7m	£38.8
Best Estimate	£0.15m	£4.3m	£21.5m

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

The main cost is the loss of Tier 2 (ICT) application revenue (£21.5m) as the number of Tier 2 (ICT) migrants is reduced by this policy.

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

There may be additional one-off costs: (i) Familiarisation costs to the public, private and third sectors £100,000; (ii) Changes to the IT system for UKBA to operate the new system (no more than £50,000).

As fewer migrant workers will be available, there may be negative impacts on the UK economy, and in the short-term on businesses and the labour market.

UK resident workers will be encouraged to increase their skills.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	£0	£0.6	£3.1m
High	£0	£5.7m	£28.3m
Best Estimate	£0	£3.1m	£15.7m

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 2 (ICT) applicants.

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. One particular cost that firms may face here would be that this is a very active route for specialist staff, particularly for the finance and IT sectors, and that companies rely on skills transfer from this route. It is not possible to quantify this cost.

Key assumptions/sensitivities/risks

See evidence base

Discount rate (%)

3.5%

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:	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?			01/04/2011		
Which organisation(s) will enforce the policy?			UKBA		
What is the total annual cost (£m) of enforcement for these organisations?			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

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Does your policy option/proposal have an impact on...	Impact	Page ref within IA
Statutory equality duties³? <u>Equality and Human Rights Commission: General guidance</u>	No	
Economic impacts		
Competition? <u>Competition Impact Assessment</u>	No	
Small firms? <u>Small Firms Impact Test</u>	No	
Environmental impacts		
Greenhouse gas assessment? <u>http://www.defra.gov.uk/environment/index.htm</u>	No	
Wider environmental issues? <u>Guidance has been created on the Defra site</u>	No	
Social impacts		
Health and well-being? <u>Health: Health Impact Assessment</u>	No	
Human rights? <u>Ministry of Justice: Human Rights</u>	No	
Justice?	No	
Rural proofing? <u>Commission for Rural Communities</u>	No	
Sustainability? <u>Defra: Think sustainable</u>	No	

³ 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.

Summary: Analysis and Evidence

Policy Option 4

Description:

Option 4 - Merge Tier 2 Resident Labour Market Test and Shortage Occupation Route

Price Base Year 2010	PV Base Year 2010	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: - £1.0m	High: - £8.9m	Best Estimate: - £5.0m

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
	Low	£0.15m		
High	£0.15m		£7.0m	£35.4m
Best Estimate	£0.15m		£3.9m	£19.6m

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

Further analysis will be conducted during and after the consultation to monetise the key costs associated with merging the Resident Labour Market Test and the Shortage Occupation Route. The main costs will be an additional burden on sponsors currently employing migrants through the shortage occupation route if they will be required to meet the Resident Labour Market Test, such as additional advertising costs.

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

There may be additional costs to businesses and the economy if shortage occupations are not filled as quickly by migrant workers. One unquantified cost (due to a lack of information on business costs) is the cost of increased advertising to business but advertising in Job Centre Plus carries a zero cost. Any additional advertising would be voluntary. The MAC may gather evidence on this during their consultation.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
	Low	£0		
High	£0		£5.2m	£25.8m
Best Estimate	£0		£2.9m	£14.3m

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

Further analysis will be conducted during and after the consultation to monetise the key benefits associated with merging the Resident Labour Market Test and the Shortage Occupation Route. The main benefit will be to UKBA of operating a simplified system that does not distinguish between different types of applications. There may be some potential benefits to sponsors of operating a simplified system.

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

There may be some benefits to UK and EEA workers due to merging the Resident Labour Market Test and Shortage Occupation Routes, as vacancies for occupations on the Shortage Occupation List would be advertised to the Resident Labour Market for a longer time period.

Key assumptions/sensitivities/risks

Discount rate (%)

n/a

Further analysis will be conducted during and after the consultation to understand the key assumptions, sensitivities and risks associated with merging the Resident Labour Market Test and the Shortage Occupation Route.

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:	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?			01/04/2011		
Which organisation(s) will enforce the policy?			UKBA		
What is the total annual cost (£m) of enforcement for these organisations?			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

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Does your policy option/proposal have an impact on...	Impact	Page ref within IA
Statutory equality duties⁴? <u>Equality and Human Rights Commission: General guidance</u>	No	
Economic impacts		
Competition? <u>Competition Impact Assessment</u>	No	
Small firms? <u>Small Firms Impact Test</u>	No	
Environmental impacts		
Greenhouse gas assessment? <u>http://www.defra.gov.uk/environment/index.htm</u>	No	
Wider environmental issues? <u>Guidance has been created on the Defra site</u>	No	
Social impacts		
Health and well-being? <u>Health: Health Impact Assessment</u>	No	
Human rights? <u>Ministry of Justice: Human Rights</u>	No	
Justice?	No	
Rural proofing? <u>Commission for Rural Communities</u>	No	
Sustainability? <u>Defra: Think sustainable</u>	No	

⁴ 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.

Summary: Analysis and Evidence

Policy Option 5

Description:

Option 5 - Operation of the Limit and further measures employers might take

Price Base Year 2010	PV Base Year 2010	Time Period Years n/a	Net Benefit (Present Value (PV)) (£m)		
			Low: TBC	High: TBC	Best Estimate: TBC

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low				
High				
Best Estimate	TBC		TBC	TBC

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

Further analysis will be conducted during and after the consultation to monetise the key costs associated with the operation of limits to PBS migration. The main costs will fall to UKBA for operating the system, and how this impacts case-working and fee income; and to potential PBS migrants and their sponsors, who will face a different operational system to that currently used.

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

There may be costs associated with how the mechanism is designed and how this affects applications and approvals of PBS migrants. Further analysis will be conducted during and after the consultation.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low				
High				
Best Estimate	TBC		TBC	TBC

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

Further analysis will be conducted during and after the consultation to monetise the key benefits associated with the operation of limits to PBS migration. The main benefits will fall to UKBA for operating the system, and how this impacts case-working and fee income; and to potential PBS migrants and their sponsors, who will face a different operational system to that currently used.

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

There may be benefits associated with how the mechanism is designed and how this affects applications and approvals of PBS migrants. Further analysis will be conducted during and after the consultation.

Key assumptions/sensitivities/risks

Discount rate (%) n/a

Further analysis will be conducted during and after the consultation to understand the key assumptions, sensitivities and risks associated with the operation of the PBS limits.

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:	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?			April 2011		
Which organisation(s) will enforce the policy?			UKBA		
What is the total annual cost (£m) of enforcement for these organisations?			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.

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Statutory equality duties⁵? <u>Equality and Human Rights Commission: General guidance</u>	No	
Economic impacts		
Competition? <u>Competition Impact Assessment</u>	No	
Small firms? <u>Small Firms Impact Test</u>	No	
Environmental impacts		
Greenhouse gas assessment? <u>http://www.defra.gov.uk/environment/index.htm</u>	No	
Wider environmental issues? <u>Guidance has been created on the Defra site</u>	No	
Social impacts		
Health and well-being? <u>Health: Health Impact Assessment</u>	No	
Human rights? <u>Ministry of Justice: Human Rights</u>	No	
Justice?	No	
Rural proofing? <u>Commission for Rural Communities</u>	No	
Sustainability? <u>Defra: Think sustainable</u>	No	

⁵ 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.

Evidence Base

There is currently no preferred option.

Annual profile of monetised costs and benefits* - (£millions) constant prices (2010)

Option 2	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄
Transition costs	0.2	0.0	0.0	0.0	0.0
Annual recurring cost	16.8	16.8	16.8	16.8	16.8
Total annual costs	17.0	16.8	16.8	16.8	16.8
Transition benefits	0.0	0.0	0.0	0.0	0.0
Annual recurring benefits	8.9	8.9	8.9	8.9	8.9
Total annual benefits	8.9	8.9	8.9	8.9	8.9

Option 3	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄
Transition costs	0.2	0.0	0.0	0.0	0.0
Annual recurring cost	4.3	4.3	4.3	4.3	4.3
Total annual costs	4.5	4.3	4.3	4.3	4.3
Transition benefits	0.0	0.0	0.0	0.0	0.0
Annual recurring benefits	3.1	3.1	3.1	3.1	3.1
Total annual benefits	3.1	3.1	3.1	3.1	3.1

Option 4	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄
Transition costs	0.2	0.0	0.0	0.0	0.0
Annual recurring cost	3.9	3.9	3.9	3.9	3.9
Total annual costs	4.1	3.9	3.9	3.9	3.9
Transition benefits	0.0	0.0	0.0	0.0	0.0
Annual recurring benefits	2.9	2.9	2.9	2.9	2.9
Total annual benefits	2.9	2.9	2.9	2.9	2.9

* 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 under the Points Based System (PBS). It is consulting on how limits should be implemented and has asked the Migration Advisory Committee to advise it on the level at which limits should be set. This Impact Assessment (IA) is concerned with the options suggested in the Government's consultation document.

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. This is summarised in Table 1. 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.

Table 1: 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
- PBS migrants in Tiers 1 and 2.

A.3 Consultation

Within Government

The Government departments to be consulted include: the Home Office, HM Treasury, Foreign and Commonwealth Office, Business, Innovation and Skills, Health, Education, Communities and Local Government, Cabinet Office, Work and Pensions, Scotland Office, Wales Office, and Northern Ireland Office.

Public Consultation

This Impact Assessment is a consultation stage Impact Assessment to support the public consultation on limits to PBS migration. The independent Migration Advisory Committee

(MAC) will consult on the level of the limit and make a recommendation. The scenarios set out in this impact analysis are for purely illustrative purposes. They do not pre-judge either the MAC's recommendations or the Government's decisions about whether to implement the recommendations.

B. Rationale

Rationale for migration 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. The Government believes there is a rationale to apply limits to migration to reduce any negative social impacts associated with migration.

C. Objectives

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.

Applying limits to economic migrants meets the following policy objectives:

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

D. Options

In each of the options where limits are considered, the limits are set at 10%, 50% and 90% less than the 2009 to 2010 period. The range was chosen as the bottom decile, the midpoint and the upper decile. This range of options is illustrative of what possibilities might be considered in the consultation. It is not an attempt to second guess what the MAC may recommend. The costs in the options are not additive. If the final options are different than those used here then the impacts will also be distinct. These will not be quantified until the Final Impact Assessment stage.

Option 1 is to make no changes (do nothing);

Option 2 Limit Tier 1 and 2 (General);

Option 3 Limit Tier 2 (ICT only);

Option 4 Merge and limit the Tier 2 Resident Labour Market Test and Shortage Occupation Route; and

Option 5 Options on how the limit mechanism will operate (first-come-first served, a pool or employer selection) and include additional measures that employers may have to make.

There is therefore a range of options covering the scale of the limits, the mechanism associated with the limit, and additional options considered in the consultation. This Impact Assessment only considers a small number of options **for illustrative purposes** and the MAC may carry out analysis across a broader range of options during their research and consultation. This Impact Assessment does not fully quantify the costs and benefits of all the options available. Further detailed analysis will be conducted during and after the consultation to improve the estimates provided in this Impact Assessment, and to include a wider range of monetised costs and benefits for all of the options considered.

E. Appraisal (Costs and Benefits)

Option 1 – Costs and Benefits

There are no additional costs or benefits associated with Option 1 – Do Nothing.

OPTIONS AROUND SCALE OF LIMITS

Options 2, 3 and 4 – Costs and Benefit

This section estimates the effects of imposing limits on the numbers of successful applications 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:

The limit operates to keep the number of successful applications below the level in the equivalent period in 2009 - 2010.

Tier 1: Entrepreneurs, investors and post-study applicants are excluded from the limit.

Tier 2: ICTs (Intra company transfers) may or not be excluded. ICT's make up a large proportion of Tier 2 applications. An ICT application is not a route to settlement. Ministers of Religion and Sports People are out of scope of any limit.

Volumes

Tier 1: The volume of Out of Country Tier 1 main applicant visas granted in 2009-10 was 14,000. Excluding entrepreneurs, investors and post-study applicants, reduces the volume to 9,000.

In the same period, the volume of in-country Tier 1 main approvals was 64,000. Excluding entrepreneurs, investors and post-study applicants reduces the volume to 30,000.

Tier 2: the volume of Out of Country Tier 2 main applicant grants issued in 2009-10 was 36,000. Excluding Ministers of Religion and Sports People reduces the volumes to 35,000. Excluding ICT reduces the volumes to 10,000.

In the same period, the volume of in-country Tier 2 applications and extensions by main applicants was 22,000. Excluding Ministers of Religion and Sports People reduces the volumes to 21,000. Excluding ICT reduces the volumes to 14,000.

Volumes affected

The estimated reduction in volumes (rounded) across options is set out in Table 1:

Table 1, Summary of Potential Volume Reductions due to Different Options

Option	Range		
	10%	50%	90%
Option 2: T1 General	3,900	19,300	34,800
Option 2: T2 General	2,600	12,800	23,000
Option 2: T1 & T2 General Total -	6,400	32,100	57,800
Option 3: T2 ICT	3,200	16,000	28,700
Option 4: T2 RLMT	2,200	10,900	19,600
Option 4: T2 SOR –	700	3,600	6,600
Option 4: T2 RLMT & SOR	2,900	14,500	26,200

Note: Figures may not sum due to rounding. These data are based on PBS MI and are not guaranteed to National Statistics standards. These analyses are subject to change.

Key Costs

The application of 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.

Transition costs were taken from a UKBA IT change estimate and familiarisation costs were proxied using the average wage for an administrative worker for 1 hour of familiarisation work multiplied by an estimate of the number of advisers. This does not include legal advice. The main cost, the loss of UKBA fee income, was calculated using the relevant fee (or a weighted fee) from the UKBA table of fees multiplied by the estimate of the change in the volume of migrants for the 10%, 50% and 90% range (see source).

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 not expected to exceed £50,000.
- Assuming applications fall in line with the fall in Tier 1 and 2 grants, there will be a reduction in UKBA fee income.

Private sector and third sector

- Familiarisation costs – these are minimal (£60,000 for the private sector and £40,000 for the third sector) and will be covered in ongoing familiarisation. They do not, therefore, impose any significant costs.

Key Benefits

The main benefit, the reduction in UKBA case working costs, was calculated using the relevant unit cost (or a weighted unit cost) from the UKBA table of unit costs multiplied by the estimate of the change in the volume of migrants for the 10%, 50% and 90% range.

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.

Source: Cost and Benefits Sources

http://www.opsi.gov.uk/si/si2010/em/uksiem_20100228_en.pdf

<http://services.parliament.uk/hansard/Commons/ByDate/20100120/writtenministerialstatements/part005.html>

<http://www.ukba.homeoffice.gov.uk/workingintheuk/>

Wider Economic Impacts

Limits to PBS Tier 1 and 2 migration will have impacts on businesses, the UK economy, the fiscal position and the labour market.

Impacts on business

The quantified impacts on the private sector of a 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 will aim to reduce 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. The consultation will also aim to gather additional evidence of any adjustment impacts for firms, to inform more detailed analysis in the final impact assessment.

Impacts on economic growth

Working age population growth is one factor that influences trend growth projections and tax revenue. By decreasing the size of the working age population a fall in net migration would lead to a decrease in the trend growth rate, all else equal.

In theory, migrants also contribute to growth in output per head by allowing gains from specialisation, and generating spill-over effects - for example, the non-migrant workforce may adopt more efficient working practices, following their exposure to the practices of migrant workers. Empirically the evidence for this effect is limited in recent UK studies, with some reporting modest positive impacts on GDP per head and some negative impacts of the same order, implying no average short-run impact overall. There are two important points here: firstly, migrants are not a homogeneous group having distinct skills, attributes

and productivity so therefore they will have differential impacts on economic growth and that the contribution to the economy will vary between migrants

Secondly, the critical point is that while migrants contribute to economic growth, this needs to be offset against social and public service impacts and costs and that this is something which the Government has asked the Migration Advisory Committee to consider in its consultation.

The mechanism for limits to PBS migration will, if properly designed, help ensure that those who come are the brightest and the best, implying a rise in average productivity. This increase will partly offset any reduction in trend growth resulting from a smaller population, although its magnitude cannot be estimated.

Impacts on fiscal position

By decreasing trend growth, a fall in net migration could lead to a decrease in tax revenue. The fiscal impact of migrants will depend on both the amount of tax they pay and the extent to which they and their families draw on public services and benefits. In general migrants would be expected to make a *stronger* net fiscal contribution than non-migrants because they arrive in the UK after completing compulsory education and are either high average earners or, in the case of A8 migrants, typically young and single. The average magnitude of the migrant net fiscal contribution will, however, depend in part on whether the UK current budget is in surplus or deficit. In addition, there are still a number of concerns surrounding the social impacts that migration creates - through for example demand on health care resources, education, and housing provision.

Impacts on the UK labour market

There has been a general lack of evidence that migration has adversely affected labour market outcomes for non-migrants. For example, a recent DWP study found no evidence that A8 labour has displaced non-migrant labour, even amongst sub-groups such as the young where this effect might be expected to be strongest.

We recognise that any limits on economic migration could have a short term impact on the UK labour market. The proposed approach to reduce net migration over the course of a parliament should allow the UK economy and businesses time to adapt. In addition, if we limit migration we will give impetus to the contribution of the skills systems in this country to provide the skills we need in the future.

OPTIONS AROUND MECHANISM OF LIMITS

Option 5 – Costs and Benefits

Key Costs

Public Sector

- UKBA Set-up costs – UKBA will face set up costs of training and familiarising case workers in the new operating system, and may face IT and other transitional set up costs associated with a different system.
- UKBA Operational costs – UKBA will face changes to operational costs depending on how the operation of the mechanism is implemented. This may affect ongoing UKBA case working costs. During the consultation period, further analysis will be conducted to quantify the scale of such impacts.

- Additional Enforcement/Verification costs – UKBA will need to ensure that sponsors employing migrant workers comply with the requirement to hold health insurance. During the consultation period, further analysis will be conducted to quantify the scale of such impacts.

Private, Public and Third sector

- Familiarisation Costs – Sponsors from the private, public and third sector will need to read guidance on the additional costs of employing migrant workers
- Additional costs of health insurance – requiring sponsors to have health insurance will impose both a policy cost and potentially an administrative burden on firms that do not already have health insurance for their workers. During the consultation period, further analysis will be conducted to quantify the scale of such impacts, and to understand the extent to which firms already have health insurance for their workers.

Key Benefits

Migrant workers

- There will be potential health benefits to migrant workers from having health insurance where they do not already have this. During the consultation period, further analysis will be conducted to quantify the scale of potential benefits associated with health insurance, and to understand the extent to which migrant workers are already covered by health insurance.

Employers

- There will be potential benefits to employers of migrant workers from having health insurance where they do not already have this. During the consultation period, further analysis will be conducted to quantify the scale of potential benefits to employers of having health insurance

Private sector

- There will be benefits to providers of health insurance who will be providing additional insurance to migrant workers and their employers.

Wider Impacts

There may be impacts on the Health sector if additional health insurance leads to greater use of Health care.

There may be spill over benefits to the economy and productivity of businesses with migrant workers if the health and hence human capital and productivity of migrant workers increases. During the consultation period, further analysis will be conducted to quantify the scale of potential benefits associated with health insurance.

F. Risks

Under all the options, there is a risk that a tightening of Tiers 1 and 2 may induce switching between PBS tiers and other legal routes of entry to the UK. 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. The

policy and management information on other legal routes of entry will be monitored to understand if such a displacement risk arises.

The final impacts may diverge from those above as the limit recommended by the MAC may be different from the options considered in this impact assessment.

G. Enforcement

UKBA will enforce limits to migration for Tiers 1 and 2 of the PBS.

H. Summary and Recommendations

Table 2 outlines the costs and benefits of the proposed changes in £ millions.

Table 2, Summary of Costs and Benefits Across Options, £ millions

Option	1	2	3	4	5
Total Costs	£0	£83.9	£21.5	£19.6	TBC
Total Benefits	£0	£44.7	£15.7	£14.3	TBC
Net Impacts	£0	- £39.3	- £ 5.8	- £ 5.3	TBC
NPV (discounted)	£0	- £37.1	- £ 5.4	- £ 5.0	TBC
NPV (rounded)	£0	- £37	- £ 5	- £ 5	TBC

Source: Economic and Resource Analysis, The Home Office and UK Border Agency.

I. Implementation

The Government plans to implement the limit from April 2011 using the current resources available to the UK Border Agency. The main responsibility will lie with Operations, International Group and Immigration Group to continue to manage the PBS system for non-EEA migrants wishing to come to the UK.

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. To make sure that the policy design is effective a final impact assessment will be conducted and that 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 impact assessment.

K. Feedback

The Analysis, Research and Knowledge (ARK) group within UKBA conduct regular monitoring and surveys of PBS respondents, sponsors, employers and staff. The feedback and findings from these will be incorporated into the impact assessment before proceeding to the final stage of policy design.

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>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>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>Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]</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>Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]</p>
<p>Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]</p> <p>There will not be a review of the consultation because the Government will receive the findings of both the UKBA consultation and that of the Migration Advisory Committee. When they design the final policy for implementation on a limit to non-EEA migrant to parts of Tiers 1 and 2, the Government will be obliged to conduct a full Impact Assessment. This will take place instead of a review as to do both would duplicate the work on the analysis, research and evaluation (all of which will be undertaken during the impact assessment).</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 consultation of partners on the introduction of a limit to parts of Tiers 1 and 2 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 concerns of our partners, considers such inequalities outside its scope.

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

Partners 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 a consultation on a limit to Tiers 1 and 2 could have an effect on any company that is employing (or will employ) non-EEA workers. 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, and Health.

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 the consultation on changes to Tiers 1 and 2 should not create any competition issues as the consultation applies equally to all firms in any particular sector.

Small Firms Impact Test

The consultation on a limit to parts of Tiers 1 and 2 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 engage with the consultation or to deal with any changes that may be implemented, 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.