

<p>Title: Changes to Tier 5 of the Points Based System and Overseas Domestic Worker routes of entry IA No HO0053</p> <p>Lead department or agency: Home Office Other departments or agencies: HM Treasury; Department for Business, Innovations and Skills; Department for Work and Pensions; Better Regulation Executive; Department of Health; Department for Education; Department for Communities and Local Government; Cabinet Office; Foreign and Commonwealth Office; Devolved Administrations</p>	Impact Assessment (IA)
	Date: 15/03/2012
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Primary legislation
	Contact for enquiries: Migration Policy, Home Office
Summary: Intervention and Options	RPC Opinion: AMBER

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£100m	-£0.04m	£0m	Yes IN

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

Overseas Domestic Workers' (ODWs) ability to change employer and access the UK labour market is contrary to general Government policy on low skilled migration. Their ability to settle is also out of step with the commitment to increase numbers leaving the UK. Legislative changes are required to effect policy changes.

On Tier 5, to support the Government's target to reduce net migration the following proposals were initially made: restricting leave to 12 months; removing the right to sponsor dependants and/or removing their ability to work; and ensuring an adequate skills level for work experience migrants.

What are the policy objectives and the intended effects?

On ODWs, to return the routes to their primary purpose – to provide certain groups with access to domestic workers, while providing appropriate protection against abuse and exploitation.

Instead on Tier 5, in response to concerns raised during the consultation, the following policy objectives are being pursued to assist genuine migrant workers who need to be in the UK for relatively short periods of time whilst limiting the routes that can be restricted.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)


Do nothing – does not meet Government objectives

Retain private household ODW route, limit period of stay, remove right to change employer, path to settlement and right to be accompanied by dependants. Retain diplomatic household route broadly in same form, but remove right to change employer and path to settlement, limit leave to 5 years. Introduce new protection strategy. Preferred option. Meets Government objectives and international obligations.

On Tier 5 Temporary Workers - Deregulate entry for those coming to undertake specific short term activities by creating a new visitor route for 'permitted paid engagements' which will apply to certain professionals, artists, entertainers and sports-persons; and make some technical changes to Tier 5 to limit certain categories of Government Authorised Exchange (GAE) schemes to 12 months and certain categories of International Agreement to 6 months. Preferred Option

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 04/2017					
Does implementation go beyond minimum EU requirements?				N/A	
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded: N/A	Non-traded: N/A

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) that the benefits justify the costs.

Signed by the responsible Minister:  Date: 14 March 2012

Summary: Analysis & Evidence

Policy Option 2

Description: Make changes to the ODW and Tier 5 Temporary worker route, and create a new visitor category.

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 88	High: 112	Best Estimate: 100

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.3m	156m	1301m
High	0.6m	171m	1433m
Best Estimate	0.4m	163m	1367m

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

Set up costs – training and familiarisation for UKBA staff and private and third sector advisors. £0.3 - £0.6m
 Ongoing costs
 - Lost fee income to UKBA - £103m to £112m
 - Lost economic output - £1198m to £1321m

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

Overseas Domestic Workers – Risk of abuse. Thought to be small
 New visitor route (undertaking permitted paid engagements) – Risk of abuse. Thought to be small due to tightly defined scope.
 Social cohesion – Thought to be small
 Potential costs to employers of recruiting resident workers to replace lost ODWs.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	166m	1389m
High	0	185m	1546m
Best Estimate	0	175m	1467m

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

UKBA – Savings in processing costs associated with lower application volumes - £56m to £62m
 Public Services – savings in health, education and criminal justice costs as volume of people remaining in UK falls. £141m to £155m
 Welfare Benefits – Savings in welfare benefits as volume of eligible claimants falls. £7m to £26m
 Output – Higher employment of UK resident workers - £1184m - £1303m

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

Reduction in wider negative public service and social impacts of migration, including: reduction in contribution to higher population growth; reduction in negative impacts of migration on housing, congestion and wider public service provision; potential increase in social cohesion in the UK; increase in public confidence in the immigration system.

Key assumptions/sensitivities/risks

10% - 30% fall in volumes of eligible ODW in a private household due to strengthened pre entry requirements.

Migrant ODW and Tier 5 workers have the same propensity to consume health and education services as the UK population.

Wages and employment rates are as set out in Annex 3

Discount rate (%)

3.5%

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
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Costs: £0m	Benefits: £0m	Net: £0m	Yes	In
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A. Strategic Overview

A.1 Background

In financial year 2011 there were approximately 58,500 main applicant visas issued to migrants on routes which give a right to work, other than Points Based System (PBS) Tiers 1, 2 and 4. Overseas domestic workers (ODW) were responsible for around 16,200 of these, 36,600 went to Tier 5 migrants with the remainder going to non-PBS routes including UK ancestry.

This impact assessment considers changes to routes by which migrants may come to the UK to work, other than under Tiers 1 and 2. This includes certain routes within Tier 5 and a route outside the PBS for the Overseas Domestic Workers in private households. UK ancestry and other non-PBS routes have not been considered. Changes are also proposed to settlement rights for Overseas Domestic Workers.

Tier 5 Temporary Workers

Tier 5 visas are issued to temporary work migrants on a number of different sub-routes, covering very different purposes. The table below shows the volumes entering under each route in 2010/11. Each route allows different lengths of stay and rights to settlement.

Table 1 – Volumes entering the UK under Tier 5 in 2011

Route	2011 Volume
Tier 5 - Charity Workers	2,200
Tier 5 - Creative and Sporting	8,000
Tier 5 - Government Authorised Exchange	3,600
Tier 5 - International Agreement	500
Tier 5 - Religious Workers	1,600
Tier 5 - Youth Mobility*	20,600
Total	36,600

* Note: The Tier 5 Youth Mobility Route is unchanged. Numbers may not sum due to rounding

The Government does not believe that one policy can be applied to these niche routes, and this view has been confirmed through responses to our consultation. Corporate stakeholders were critical of the blanket proposals contained in the consultation. In addition, there is little evidence of abuse. Consequently, significant changes are not proposed to these routes.

Overseas Domestic workers

There are two routes of entry for Overseas Domestic Workers (ODWs) – one for those in private households and one for those in diplomatic households. Those working in private households are outside of the points based system because the sponsoring employer is not necessarily based permanently in the UK. In 2011, 16,200 visas were granted to overseas domestic workers. The majority, around 90%, of ODWs come to the UK for a short, finite period of up to six months. Others come on a longer term – 12 month - visa to accompany a worker under Tier 1 or 2 of the PBS. Both of these routes are extendable annually. . . Once in the UK, the ODW may leave their employment and take up work with another employer. Once they have been continuously employed for five years, they are eligible to apply to remain in the UK permanently.

ODWs in a diplomatic household fall within the PBS, under the Tier 5 International Agreement category route. In 2011, 500 migrants entered under this route. It is estimated that around

50%¹ were ODWs in diplomatic households. They may stay in the UK for up to six years. They may change their employer but only within the same mission for which their original diplomatic employer works, i.e. they must continue to work for the same sponsor (the mission). Once they have been continuously employed as a domestic worker for five years, they are eligible to apply to settle in the UK permanently.

A.2 Groups Affected

Those affected by the policy are:

- Some migrants and their dependants;
- Other migrants and visitors who bring overseas domestic workers to the UK with them;
- Businesses and other organisations who will invite certain professionals, artists, entertainers and sports-persons to carry out permitted paid engagements;
- Government departments and agencies, including the UK Border Agency which is responsible for administering the immigration system, and other Government departments which have an interest in work-related migration and
- Foreign Governments with Missions in the UK and their private servants.

A.3 Consultation

Within Government

The Government departments consulted or involved in the formulation of the policy included: HM Treasury; Department for Business, Innovation and Skills; Department for Work and Pensions; Better Regulation Executive; Department of Health; Department for Education; Department for Communities and Local Government; Cabinet Office; Foreign and Commonwealth Office; Ministry of Justice; Department for International Development; Department of Transport; Department for Environment, Food and Rural Affairs; Department of Energy and Climate Change; and the devolved administrations.

Public Consultation

A public consultation to consider proposals for changing the existing routes was conducted by the Government running from 9 June 2011 to 9 September 2011. A summary of consultation responses is at Annex 2.

B. Rationale

The Government believes that immigration has enriched our culture and strengthened our economy. In recent years however, the system as a whole has been allowed to operate in a manner which is not sustainable. Between 1997 and 2009, net migration to Britain totalled more than 2.2 million people. Unchecked migration may place significant pressure on our public services and damage community cohesion if not properly managed.

The Government have indicated that, through a more rigorous and controlled approach, the UK will see fewer non-EU migrants than in the past and that by improving immigration controls the system will command the confidence of the public at the same time as serving our economic interests. Tier 1 (General) was closed on 23 December 2010, an annual limit on the number of skilled non-EU workers coming through Tier 2 of the Points Based System (PBS)

¹ In the years preceding the introduction of Tier 5 of the PBS, around 250 migrants per year entered as an ODW in diplomatic households. We have assumed that this figure has remained broadly constant.

was introduced on 5 April 2011 and changes to the student visa system in Tier 4 of the PBS were announced on 31 March 2011.

The Government has been clear that all immigration routes should be scrutinised; and the next step is to consider work routes outside Tiers 1 and 2. Later this year final proposals on family migration will be announced. The policy proposals assessed in this impact assessment relate to changes to the Tier 5 (Temporary Workers) route and Overseas Domestic Worker routes.

In 2011, 36,600 visas were granted to those entering through the Tier 5 Temporary Workers route and 16,200 to Overseas Domestic Workers (ODWs). The Tier 5 route includes around 250 grants made to ODWs who accompany foreign diplomats. The combined number of dependants accompanying main applicants through these routes was 1,600 in 2011. The Government believes that there should be more selective controls, and the reinforcement of the temporary nature of some immigration routes, to better manage migration while ensuring that the brightest and the best can continue to come to the UK to live, work, study, and settle.

The Government have also pledged to break the link between temporary migration and settlement².

Identifying those individuals that the country needs most will require a greater degree of selectivity than currently exists in the immigration system. The starting premise is that migrants who contribute the most should continue to be able to settle but those migrants who are here for a temporary reason, for example to fill a short term gap in the labour market, should leave at the end of their stay.

In general, we do not believe that there is any case for low skilled migrants from outside of the EU to come to the UK. The ODW routes are the only such work routes that exist and this is counter to the overall policy of restricted access to the UK labour market. There is another consideration in respect of ODWs and that is their vulnerability to abuse and exploitation. It is therefore important that ODW routes provide appropriate protection.

Abolition of the private household route is an option to respond to both these concerns, however although we believe that skilled workers should recruit domestic help from the resident labour market after a short settling period, this approach is not sustainable for those accompanying visitors for a short time. They should continue to be allowed to bring their established domestic help. However, these workers should not be able to extend their stay, change employer, be accompanied by dependants or settle in the UK.

The UK's obligations under the Vienna Convention on Diplomatic Relations (VCDR) 1961 mean that changes must not impair the mission's ability to perform its functions. For this reason domestic staff should continue to be permitted to accompany a diplomat posted here, for the duration of their posting. They would be expected to leave the UK when their employer does – after a maximum of 5 years. Neither the ability to change employer nor to apply for settlement are required in accordance with the VCDR.

C. Objectives

The objectives of this policy are to:

- Contribute to the Government's target of lowering net migration by the end of the Parliament;

² Immigration Limit Oral Statement: <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/news/oral-statement-imm-limit.pdf>

- Reduce any adverse social impacts of immigration;
- Achieve the right balance between admitting those with the greatest potential benefit to the UK and the immediate need of employers to fill specific vacancies;
- Provide routes of entry for overseas domestic workers that enshrine appropriate protections while reflecting their primary purpose – to enable certain groups to bring their domestic worker to the UK;
- Break the link between coming to the UK to work and settle, but ensure that Britain continues to attract the brightest and the best workers who will make a strong contribution to our economy and society;
- Improve the public's confidence in our immigration system through the introduction of better, more selective controls;
- Continue to provide for temporary work routes which help satisfy wider UK cultural, charitable, religious, and international objectives.
- Create a new visitor route that will provide greater flexibility for certain professionals, artists, entertainers and sports-persons coming to do short-term paid engagements in the UK.

D. Options

The policies analysed in this Impact assessment relate to the consultation document - Employment-related settlement, Tier 5 and Overseas Domestic Workers. This public consultation closed on 9 September 2011.

Option 1 - Do nothing.

Option 1 is the “do nothing” option, which involves no change in policy. The “do nothing” option would not meet the Government's objectives, set out above.

Option 2 - Changes to Tier 5 and overseas domestic worker routes

Overseas Domestic Workers in private households

- Change ODWs in private household route to only allow domestic workers to accompany their employers where the employer is on a short visit (up to six months) with no extensions, no switching employer, no onward path to settlement and no right to be accompanied by dependants;
- Introduce new protection strategy, comprising strengthened pre-entry requirements, and access to protections for ODWs who are abused while in the UK that provide initial support with a view to assistance to return home.

Overseas Domestic Workers in diplomatic households

- Retain the broad structure of the route for diplomatic households but remove the path to settlement and the ability to change employer;

Introduce new protection strategy as for private household ODWs.

Option 2 contains a number of sub-options which have been consulted on. The final policy package was decided based on the consultation responses and analysis of potential policy impacts.

Tier 5

- Create a new visitor category for permitted paid engagements, allowing certain professionals, artists, entertainers and sports-persons to receive remuneration for specific engagements;
- Make technical changes in Tier 5 limiting certain categories of Government Authorised Exchange (GAE) schemes to 12 months and certain categories of International Agreement to 6 months.

Other options previously considered

Options previously considered and discounted as a result of the consultation include:

Overseas Domestic Workers

- Abolish the route for ODWs in private households;
- Do not allow extension of stay, right to change employer, right to settle or ability to sponsor dependants for ODWs in private or diplomatic households.

The consultation included an option of abolishing the private household route to counter the potential for abusive employment relationships being brought to the UK. We do not believe, however that this is sustainable from an economic point of view as it would deter many wealthy visitors, who contribute to the economy, from coming here. Only 30% of consultation respondents agreed that the private household ODW route should be closed.

Although this impact assessment is proposing to limit leave for those in private households, this is not proposed for diplomatic households. We do not believe that this would be sustainable with overseas Governments, all of whom have argued strongly against the proposal. Diplomatic postings are usually much longer than 12 months and it is argued that it is disruptive (and might therefore contravene the Vienna Convention on Diplomatic Relations) to restrict leave in this way. We are, however, removing the ODW's path to settlement.

Tier 5

- Enforcing the temporary nature of Tier 5 by restricting all leave to 12 months

The numbers of migrants staying for over 12 months are small, less than 10% of Tier 5 migrants were granted a visa for more than 12 months in 2010. This policy has not been considered further due to low levels of public support during the consultation. Tier 5 covers a number of very diverse routes and imposing a blanket restriction on length of stay would be hard to justify. The Government do not believe that the numbers in question justify major changes.

- Removing the right to sponsor dependants and/or removing their ability to work;

Tier 5 generally attracts very low levels of dependants accompanying main applicants. In 2011, 36,600 main applicant visas were granted relative to 1,300 dependant visas. The Government does not believe that the numbers in question justify additional changes.

- Ensuring an adequate skills level for work experience migrants.

Around a third of GAE visas are granted for periods of more than 12 months. A blanket restriction on all schemes of 12 months leave is expected to have an adverse effect on schemes that are important to the UK, mainly research. On this basis, the Government have instead chosen to limit leave by type of scheme rather than for all schemes.

Non-regulatory options

Non-regulatory options are likely to prove insufficient to meet the Government's objectives because they would be unlikely to provide sufficient improvements in public confidence in the system of immigration control. Breaking the link between coming to the UK and settlement also requires regulation to prohibit passage to settlement. This cannot be achieved through non regulatory options, such as publicising the policy aim, alone.

E. Appraisal (Costs and Benefits)

Time Period of Appraisal

The impacts are estimated over ten years in line with Better Regulation Executive guidance. The first year of the IA is 2012/13. Policy impacts are expected to occur from April 2012. The policies will apply to people entering the UK from April 2012 and will not affect migrants already in the UK.

The section below sets out the best estimates of the policy impacts using the available evidence. Any key uncertainties are highlighted in the volume and cost and benefit sections below and are tested in the sensitivity analysis to show the range of potential impacts.

E.1 Volume Impact

Modelling based on a number of assumptions has been used to estimate the impacts of the policies on the volume of migrants. Annex 3 has a full list of assumptions used in the modelling and also presents more detailed statistical information.

Option 1 – Do nothing

The counterfactual case below sets out the 'Do nothing' option. The 'Do nothing' option represents the baseline against which projected volumes in 2011 and beyond are compared with what it is estimated they would otherwise have been, in the absence of any policy changes.

Baseline Volumes – Actuals and Forecast

In 2011, a total of 58,500 out of country visas were issued to migrants in Tier 5 and other non-PBS work categories, and around 1,700 visas issued to their dependants. This is very similar to 2010/11, where 58,800 visas were issued to main applicants and a further 1,200 to dependants. It is assumed that these figures will hold for 2011/12.

Table 2 – Baseline out of country volumes

Baseline Volumes		2009/10	2010/11	2011/2012 (Estimate)	2012/2013 (Estimate)	2013/2014 (Estimate)
Out of country	Tier 5	33,400	36,900	36,600	36,800	37,600
	ODW - Private	14,700	15,700	16,200	16,300	16,500
	UK Ancestry and Other	10,400	6,200	5,700	5,700	5,700
Total		58,500	58,800	58,500	58,800	59,800
	Dependants	1,200	1,700	1,600	1,600	1,600
Total		59,700	60,500	60,100	60,400	61,400

At the same time, in 2011, there were around 12,100 extensions of leave to remain granted to migrants in the United Kingdom under the Tier 5 temporary worker categories and other non-PBS categories, and 700 grants for their dependants. The vast majority of these were to

migrants outside of the PBS, such as Overseas Domestic Workers, UK ancestry and other permit free employment. Only 600 grants were to migrants under Tier 5 of the PBS.

Table 3 – Baseline in country volumes

Baseline Volumes		2009/10	2010/11	2011/2012 (Estimate)	2012/2013 (Estimate)	2013/2014 (Estimate)
In Country	Tier 5	400	500	600	600	600
	ODW - Private	6,300	6,500	6,200	6,200	6,300
	UK Ancestry and Other	7,200	5,500	5,300	5,300	5,300
Total		13,900	12,500	12,100	12,100	12,200
	Dependants	300	500	700	700	700
Total		14,200	13,000	12,800	12,800	12,900

The Migrant Journey Analysis³, which provided evidence on common pathways through the immigration system, allows us to estimate the proportion of ODWs that will remain in the UK and reach settlement; Annex 3 sets out these proportions, and shows 22% of those entering as ODWs in private households and 30% of those entering as a ODW in diplomatic households have settled in the UK after 6 years. The table below sets out our estimate of how many of those entering the UK from April 2012 will reach settlement in each year. Numbers increase over time until they reach a steady state of around 1,400 per year from 2018/19 onwards. The numbers increase because ODWs may apply for settlement after five years or when their leave expires, which may be after six years.

Table 4 – Baseline settlement volumes

Baseline Volumes		2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Settlement	ODW - Private	400	800	900	900	900
	ODW - Diplomatic	0	0	0	0	0
Total		400	800	900	900	900

The Home Office makes no official forecast of future migration but for the purpose of this impact assessment it is assumed that grant volumes for Tier 5 and overseas domestic workers will increase in line with Gross Domestic Product, as forecast by the Office for Budgetary Responsibility. Data on past trends suggest that UK ancestry and other routes are not economically driven, and so are assumed to remain constant in future years. The estimated counterfactual (baseline) for Tier 5 and other non-PBS routes under these assumptions is set out in the tables above.

Annex 3 contains statistical tables showing out of country and in country data from 2007 to 2011. This gives an indication of the proportions of the baseline figures given in Table 1 falling in each sub route within Tier 5 and non-PBS routes. These proportions are expected to stay the same over the period of the impact assessment.

Duration of stay

UKBA management information shows that the vast majority of ODWs enter the UK on a visa valid for less than 12 months. Only 1% of ODWs in private households have an initial visa granted for longer than this. However, the majority extend their visas, many more than once. 41% of visitor ODWs extend their visas within the first year of entry, while 88% of ODWs accompanying Tier 1 and 2 migrants extend their visa beyond the first year. Up to 22% of these ODWs eventually apply for settlement.

³ Internal Analysis of the Migrant Journey Analysis Dataset. The Migrant Journey Analysis is a cohort analysis of the current status of those who entered the UK in 2004.

This document was archived on 19 September 2017

The estimated 250 diplomatic ODWs are more likely to be granted visas for a longer period of time. Management information for Tier 5 International Agreement migrants suggest that only 21% are initially granted a visa for less than 12 months. 30% are currently granted settlement after at least 5 years in the UK.

Net migration is estimated using responses to the International Passenger Survey and only counts migrants whose intention is to stay in the UK for longer than 12 months. Those arriving for less than 12 months should not be counted as an immigrant. However, as the survey is based on intentions at time of arrival, the large proportion of this group who subsequently apply for an extension and settlement for longer than 12 months may have a more significant impact on net migration.

Diplomatic ODWs are likely to be included in net migration figures as they typically are issued a visa for greater than 12 months. However, the volumes are small.

Costs and Benefits

There will be no additional costs under option 1. However, there will be a number of issues and risks that may continue to occur.

Costs

There will be no reduction in volumes entering the UK meaning:

- Net migration will not be reduced;
- There will be no change in the adverse social consequences of migration such as burdens on the tax payer;
- There will be no improved public confidence in the migration system; and
- The link between temporary migration and settlement will continue.

Benefits

There are no additional benefits under this option. However, ODWs will continue to be able to come to the UK, with their dependants.

Option 2 - Changes to tighten Tier 5 and overseas domestic worker routes

Option 2 is to make changes to the overseas domestic worker routes and small changes to Tier 5 routes.

In the following sections, each policy proposal will be described in detail before the expected impacts are set out. The estimated volume impacts of the policy framework are translated into monetary values for inclusion in the cost-benefit analysis under two broad headings – direct costs and benefits on the one hand, and indirect, or “wider”, costs and benefits on the other.

The **direct** costs and benefits are those that are clearly and immediately related to the activities of those coming through the routes under consideration, and the operations of institutions and the UKBA in processing their applications. The direct costs include, for example, training and familiarisation costs for the UKBA and sponsors and reductions in visa income. The direct benefits, on the other hand, are dominated by a reduction in UKBA processing costs as migrant volumes fall.

The **wider** costs and benefits are those more closely associated with economic output and labour market activity. The wider costs include the impact on GDP. The wider benefits of a

reduction in volumes relate to reduced pressure on public services and improvements in social cohesion.

The following sections describe in more detail how costs and benefits have been calculated, and summarises the results. In general the method is straightforward: total costs and benefits are the product of a change in volume and an estimated unit cost or benefit, adjusted for the particular impact being considered.

Overseas Domestic Workers in private households

Current policy

Entry to the UK for an ODW in a private household rests on the proposition that their employer, whom they have worked for abroad, is coming to the UK and requires their domestic worker to come with them. Their employer is generally either a visitor to the UK or an economic migrant under Tier 1 or 2 of the PBS. Although almost all ODWs are initially granted a six or 12 month visa, many extend and remain in the UK for longer. Although those accompanying a visitor are likely to leave the UK, up to 21% of those accompanying another economic migrant eventually settle in the UK. In addition, ODW are currently able to bring dependants to the UK with them and those dependants have access to the UK labour market. ODWs in private households are currently able to change their employer for any reason.

Proposal

After consideration of the consultation responses, the final policy proposal is to allow an ODW in a private household to enter the UK only where their employer is a short term visitor. Responses to the consultation show that stakeholders expect overseas visitors to be deterred from coming to the UK if they cannot bring their domestic help. To avoid this impact, the Government propose to continue to allow ODWs to come here for up to six months when accompanying a visitor. They will be expected to leave the UK when the visitor does.

ODWs will no longer be permitted to accompany economic migrants to the UK. They will not be able to extend their stay or settle in the UK. The main reason for limiting the route in this way is to remove a route of entry for non EU low skilled migrants, which has little benefit to the UK economy. Discussions with stakeholders during the course of the consultation revealed that removing the right to bring domestic help is considered unlikely to deter economic migrants from coming to the UK. Economic migrants who expect to stay in the UK for a considerable period should instead be expected to recruit domestic help from the UK labour market.

ODWs will no longer be able to change their employer once they have entered the UK. This has been allowed to give ODWs a degree of protection from abusive employers. However, evidence shows that many ODWs change employer for other reasons and we do not consider that an ability to change employer is the only way to provide protection. Over the period 2005-2009, 60% of ODWs who changed employer, changed for reasons other than abuse. Stakeholders have indicated a desire to change employers for reasons such as widening skills, which is contrary to the original aim of the policy.

Given that ODWs will only be able to stay in the UK for up to six months, the Government believes that removing the right to bring dependants is consistent with Article 8 of the European Convention on Human Rights (ECHR).

The Government is also introducing new protection strategy, comprising strengthened pre-entry requirements, information on and access to protections while in the UK and assistance to return home.

Impact on volumes

ODWs accompanying Tier 1 and 2 migrants

The policies proposed above are expected to reduce the volume of ODWs entering the UK to work in private households. In 2011, 16,200 ODWs were granted visas to enter the UK. UKBA management information shows that 13% of these were accompanying a Tier 1 or 2 migrant. Thus, it is estimated that permitting ODWs to only accompany a visitor for a short stay will reduce the number of visas granted by around 2,000 per annum from 2012/13 onwards. Management information also shows that 92% of dependants entering under the ODW route are accompanying this type of ODW. The changes are therefore expected to reduce the volume of dependants granted visas by around 230 per year.

Permitting a short stay only will subsequently have an impact on the volume of extensions and settlement applications received from this group. The propensity to extend and settle is shown in Annex 3. It is estimated that around 2,000 extensions will be prevented in the first year, increasing to 5,500 by year 5. The figure rises as ODWs are only likely to be granted an extension for a single additional year of leave and therefore are likely to extend their stay more than once. Thus 2,000 extensions are expected in year 1 from those entering in year 0. By year 5, 5,500 extensions are expected from those who have entered from year 0 to year 4. 5,500 extension applications is the volume expected in the absence of any policy interventions. These figures include both main applicants and dependants. It is also expected to reduce settlement grants by around 500 per annum from year 6 onwards.

The consultation indicated that genuine business people are unlikely to be deterred from coming to the UK if they cannot bring their domestic help. Thus any impact on Tier 1 or Tier 2 migrant volumes is not anticipated. It is expected that demand for domestic help will continue to exist and domestic help will instead be recruited from the UK labour market.

ODWs accompanying short term visitors

It is thought that introducing a new protection strategy will reduce the volume of ODW visitors who are eligible to come to the UK. It is estimated that volumes will fall by between 10% and 30%. This assumption is uncertain and has been tested in the sensitivity analysis. This will reduce the volume of visas granted by between 1,400 and 4,300 per year from 2012 onwards. Removing the right to bring dependants will reduce visa volumes by around 20 per year as only 8% of ODW dependants are accompanying short term visitors.

Removing the right to extend and settle in the UK from all private household ODWs will reduce extensions and settlement grants to zero. Annex 3 sets out the proportions that are estimated to have extended and settled in the absence of any policy changes. Volumes of extensions are expected to fall by around 5,800 per annum in the first year of the policy, a reduction that grows in size to around 9,000 after five years. As above, ODWs are only likely to be granted one additional year of leave and are likely to extend their stay more than once. Settlement grants are expected to fall by around 350 grants per year after six years.

Net migration

The net migration estimates are calculated using IPS estimates of migrants intending to stay for longer than 12 months. An ODW stating an intention to stay for longer than 12 months, even though they have a less than 12 month visa, may be included in the estimate. Those stating an intention to stay which matches the length of visa they have been granted will not be included. The maximum impact from the volume of visa reductions and the proportion expected to extend their stay for more than one year has been calculated. The minimum impact is assumed to be zero, on the assumption that all ODW state their intention to stay is equal to the length of visa granted.

The scaling factor between visa grants and people captured by the IPS is around 0.65 for work migrants and 0.54 for their dependants. The maximum total fall in visas granted in 2012/13 will be 4,300 ODW visitors, 2,000 ODWs accompanying a Tier 1 or 2 migrant and 250 dependants. It is assumed that 88% of ODWs accompanying Tier 1 and 2 migrants, and 41% of ODW visitors, will extend their visas and thus could declare an intention to stay for more than a year, although in practice many (if not most) are unlikely to do so – only changing their intention subsequent to their arrival in the UK. Thus the net migration impacts of the above policy proposals on ODWs in private households will range between zero and at most 1,500 per year.

Costs

Direct set up costs

- **UKBA staff training and familiarisation costs** – there will be costs to UKBA of training and familiarising staff with the new rules and guidance. There are around 1,600 casework staff overseas who will need to be trained in the new rules and guidance. There are a further 7,000 casework staff in the UK who will require some familiarisation with the new rules. In addition, 7,000 staff at the border will also require some training. It is estimated training will require between 1 and 2 hours for overseas case work staff and border force staff. A further 0.5 – 1 hour will be needed for staff both in-country and overseas to familiarise themselves with the new rules. Assuming the hourly wage is £17⁴, the training impacts are estimated to be between £0.2 and £0.5 million in year 1 only. These estimated costs include all of the proposals covered in this impact assessment.
- **UKBA revision of guidance documents** – there will be small costs associated with revisions to guidance documents issued by UKBA. It is assumed that this could take two full time employees up to 8 weeks to complete. Assuming the hourly wage is £17, the costs could be around £10k in year 1 only. These estimated costs include all of the proposals covered in this impact assessment.
- **Familiarisation for private and third sector immigration advisers** – there will be costs in training and familiarising staff with the new rules and guidance. The Office of the Immigration Services Commissioner (OISC) annual report suggests there are around 4,000 regulated immigration advisers. Assuming half of these are private sector and earn a wage of around £22 per hour including on-costs, and around half are voluntary sector and earn around £12 per hour including on-costs,⁵ and that they require between zero and one hour familiarisation, depending on their level of involvement with ODWs and Tier 5, the costs are estimated at between £0 and £0.1 million in year 1 only. These estimated costs include all of the proposals covered in this impact assessment.
- **Increase in judicial review proceedings** – there may be a short term increase in proceedings as those affected by the policy test it in the courts. However, it is not possible to estimate this impact and it is not anticipated to be significant.

Direct Ongoing costs

- **Reduced UKBA fee income** – there will be UKBA income effects associated with the estimated reductions in applications and hence fee income. Fees for main applicants and

⁴ We use the median wage for “Public administration and defence” of around £17 per hour for public sector workers using the ASHE survey 2011, and apply on-costs of 21% in line with BIS guidance

⁵ We use the median wage for “all business professional staff” of around £18 per hour for private sector workers and “all administrative staff” of around £10 per hour for all third sector workers using the Annual Survey of Hours and Earnings (ASHE) survey 2011, and apply on-costs of 21% in line with BIS guidance

dependants at different stages are available on the UKBA website and are set out in Annex 3. Using the application to grant rates, it is estimated that applications may fall by between 5,000 and 9,000 per annum. If this is the case, then total reduced fee income will be up to between £102 million and £111 million (NPV) over 10 years.

Wider economic and social impacts

- **Impacts on economic output** – The Home Office's usual assumption in migration impact assessments has been that migrant workers do not displace non-migrant workers⁶. Migrant workers add not only to supply but also to demand, and so their presence causes the economy to expand. If migrant workers are no longer present then output contracts. There is no displacement of non-migrants when migrants are present, and hence non-migrants do not take up the slack when migrant workers are not present.

In the case of Overseas Domestic Workers we make the reverse assumption, however, for reasons explained below.

Overseas Domestic Workers

Overseas domestic workers are recruited by their employer (either a migrant worker coming to the UK or a visitor spending up to six months in the UK) while overseas. If this employer is a migrant worker, he will add to supply and demand in the usual way and cause the UK economy to expand. But in addition the employer brings to the UK a demand for an overseas domestic worker that is external to the UK labour market. Overseas Domestic Workers are not competing in the UK labour market in the same way as other worker migrants; rather their presence is contingent upon the presence of another migrant who will act as employer.

If Tier 1 and 2 migrants can no longer bring their own domestic labour then we assume they will recruit through the UK resident labour market rather than reduce the amount of domestic help they utilise. The results of the consultation suggest that genuine business people would not be deterred from coming to the UK if they cannot bring their domestic help, which implies that their current demand for domestic help will be exercised within the UK labour market. Those migrant workers coming to the UK who desire domestic help are in our view likely to want to recruit substitutes for overseas domestic labour; in the case of child care we expect this effect to be particularly sharp, especially if they plan to live in the UK for a number of years. It remains the case, however, that if the amount of domestic help required falls, fewer UK workers will be required. The extent to which this happens is tested in the sensitivity analysis on page 17.

Visitors to the UK may also be prevented from bringing domestic labour if they cannot prove an existing relationship. This group is likely to include wealthy visitors spending months at a time in the UK. Whilst they would previously have brought a driver or assistant, they are likely to recruit a driver, possibly through an agency, in the UK.

This increase in demand for domestic workers in the UK labour market will, if the labour market is in equilibrium, put upwards pressure on wages and increase employment in the UK. This assumes that migrant employers are willing to pay higher wages to persuade a UK worker to take this job, which could be explained by an increase in value of domestic workers during a turbulent international move. If the UK labour market is not currently in equilibrium, then wages may not need to increase for there to be recruitment in the UK labour market. The central assumption assumes that there is direct replacement at the same wage by UK or EU workers. Variations around the changes in the wage level and

⁶ The Migration Advisory Committee published a report on the Impacts of Migration in January 2012. The Government is considering the implications of the MAC report and how best to reflect them in future impact assessments.

the proportion of workers replaced by UK resident labour have been tested in the sensitivity analysis on page 17.

Evidence from the 2010 Annual Survey of Hours and Earnings states that domestic personnel in private households earn £8.6k per year. It is assumed that the employment rate is 100% as this is a condition of stay in the UK. Under these assumptions, it is estimated that the loss in output from ODWs prevented from coming to the UK is between £1,196m and £1,315m (PV) over 10 years. The estimates calculated for lost output are replicated as a corresponding benefit for the UK labour market, as domestic workers are recruited in the UK instead, in the summary table.

Overall we assume in the central case that there is no foregone GDP caused by restrictions on the employment of ODWs.

Dependants of those ODWs accompanying Tier 1 and 2 migrants

If there is a reduction in ODW dependants coming to the UK, there is a potential reduction in UK output, as some of those spouses could have entered employment in the UK. Evidence on spouse employment and earnings suggests an employment rate of around 45% for spouse migrants on average (that is, for men and women combined, according to their proportion in the migrant spouse volumes and applying their relative employment rates). We assume that dependants of ODWs would have a similar skill set and earn a similar wage to the main applicant, of around £8.6k per annum.

Under these assumptions, and assuming around 130⁷ working age migrants no longer qualify in year 1, increasing to a steady state volume of around 500 by year 5, the cumulative impact of lost output over time is estimated at around £11.1 million NPV over 10 years. It is important to note that this estimate takes no account of the potential adjustment of the economy and labour market to the reduction in working migrants in the UK.

The MAC published a report on the labour market impacts of migration in January 2012. The Government is considering the implications of the report.

Benefits

Direct ongoing benefits

- **Reduced UKBA case work costs** – there will be a reduction in UKBA case work costs where applications fall due to the closure of the ODW accompanying Tier 1 and 2 route and the lower volumes due to strengthening pre entry and returns requirements. Case unit costs for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 4. These savings are expected to be around between £55 million and £61 million over 10 years. UKBA expects case work costs to fall over this time period due to the introduction of new processes such as the integrated case work system. However, these are the best estimates at the current time.

Wider economic and social impacts

- **Welfare savings** – those migrating to the UK for work reasons are unlikely to be able to claim most benefits until they have qualified for settlement. This is usually after five years of continuous work in the UK. Reducing the volume of ODWs coming to the UK, and consequently settling, is expected to result in small benefit savings over time. Assuming that ODW migrants take up benefits in line with the average of the UK population, it is

⁷ Management Information suggests that around 60% of dependents are adults of working age

estimated, at current benefit levels¹, that benefit units will on average use between £741 and £2,610 in benefits per annum. See Annex 4 for detailed calculations and sources. Using the estimated reduction in ODW settlement up to 900 per annum, it is estimated that benefit savings could be in between £7 - £24 million (NPV) over 10 years. These estimates were refined during the consultation period to take benefit units instead of individuals into account.

- **Reduced public service provision** (reductions in health, education and Criminal Justice System (CJS) costs) – the proposal should help reduce pressures on public services by reducing the volume of people eligible to utilize them. Where there is a reduction in the volume of ODW migrants coming to the UK, there will be a proportionate reduction in the costs of health, education and CJS costs, assuming migrants have the same unit costs as the UK average. The estimated savings are given in the table below. See Annex 4 for detailed calculations and sources.

Table 5 – Savings in public service provision

£m	Low	High
Health	£112	£123
Education	£12	£12
Criminal Justice	£15	£17

There will also be benefits associated with reduced burdens on other public services such as transport, local council services and congestion. It is not possible to quantify these impacts.

Wider non-monetised impacts and risks

- **Impacts on Overseas Domestic Workers** – Stakeholders have expressed concerns about ODWs being trapped in abusive conditions if they are no longer allowed to change employer. However, evidence gathered during the consultation suggests that up to 60% of employer changes are not related to abusive employment conditions. There are also a number of mechanisms in place which help ODWs experiencing abuse through their employment. The National Referral Mechanism exists to identify and support victims of trafficking; there is protection in law against conditions of slavery and the backstop of domestic workers being able to return to their country of origin. Further to this, the policy proposal also contains an intention to introduce a new protection strategy. As a result of these mechanisms the Government believes the risk of abuse to ODWs will not be increased from current levels.

Stakeholders have also expressed concerns about Tier 1 and 2 migrants continuing to bring their domestic workers to the UK through illegal channels. The consultation has provided no evidence that this may occur. The Metropolitan Police have advised that those who currently comply with the law are unlikely to start to act illegally. The Government believes that this risk is small.

There may be negative impacts on individual ODWs prevented from bringing their dependants. It is not possible to accurately quantify the negative effects of not being able to bring dependants to the UK. However the volume of dependants arriving with ODW is small. In 2011 less than 250 dependants accompanied 16,200 ODWs and these dependents are predominantly coming with longer-term ODWs, who would no longer be permitted under the new arrangements.

¹ See DWP and HMRC websites for more information on benefit levels

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- **Increased social cohesion** – To the extent the proposals reduce the volumes of ODW migrants coming to the UK, there may be a small positive impact on social cohesion through reducing perceived competition for finite resources. It is not possible to quantify this.
- **Justice impacts** – there may be a change in appeals and judicial reviews as a result of the proposal. However, it is not possible to estimate the expected volumes, thus this has not been quantified.

Summary of costs and benefits

The table below sets out a summary of the key monetised costs and benefits.

Table 6 – Summary of costs and benefits associated with the ODW in private households proposals

Set Up Costs		Low - £m	Central - £m	High - £m
UKBA	Set Up	£0.25	£0.37	£0.49
Private and third sector	Training and Familiarisation	£0.0	£0.03	£0.1
Total Set Up Costs		£0.25	£0.41	£0.56
Ongoing Costs				
UKBA	Lost Fee Income	£102.1	£106.7	£111.3
UK Economy	Reduction in Output	£1,196	£1,255	£1,315
Total Ongoing Costs		£1,298	£1,36	£1,426
Total Costs		£1,298	£1,362	£1,426
Ongoing Benefits				
UKBA	Reduction in processing costs	£55.5	£58.3	£61.1
Public Services	Reduction in Public service provision	£139.7	£146.1	£152.6
	Reduction in welfare benefits	£6.8	£15.3	£23.9
UK Economy	Increase in Output	£1,185	£1,244	£1,303
Total Benefits		£1,387	£1,464	£1,541
Net Benefit		£88	£101	£115

Sensitivity Analysis

The main assumption driving the volumes of ODW affected is the proportion of ODWs affected by strengthening the pre entry requirements.

- If it is assumed that zero ODW are affected by strengthening pre-entry requirements, the low estimate of the net present value falls to £84m.
- If it is assumed that 50% ODW are affected by strengthening pre-entry requirements, the high estimate of the net present value increases to £124m.

The NPV estimates presented in table 6 assume that all ODW's who are prevented from coming to the UK are replaced by a worker from the UK labour market as it is believed that the demand for domestic labour will continue to exist. However, it may be the case that a lower proportion of these jobs are filled by a UK resident worker.

- If it is assumed that 75% of jobs are filled in the UK, the central estimate of the net present value falls to -£210m.
- If it is assumed that 50% of jobs are filled in the UK, the central estimate of the net present value falls to -£521m.

The estimates presented in table 6 also assume that the jobs filled by the UK labour market, are filled at the same wage rate as an ODW would have accepted. It is possible that UK

workers may have a higher reservation wage, at which they are prepared to accept employment, and thus may demand higher wages. The employer could reduce the number of staff employed or adjust the length of time they are employed for in order to maintain domestic labour at the same cost, or they may be willing to pay the higher wage due to inelastic demand for labour.

- If it is assumed that wages are 10% higher for UK resident workers than ODWs, the central estimate of the NPV increases to £226m.
- If it is assumed that wages are 20% higher for UK resident workers than ODWs, the central estimate of the NPV increases to £350m.

Overseas Domestic Workers in diplomatic households

Current policy

This route allows for ODWs to come to the UK with or to join a diplomat's private household. The route is a consequence of the UK's ratification of the Vienna Convention on Diplomatic Relations 1961. ODWs in diplomatic households are part of the Tier 5 International Agreement route, one of the Tier 5 routes that allows for stays longer than 12 months. Private servants (ODWs) may stay for up to six years and apply for settlement in the UK after 5 years continuous domestic employment. The Migrant Journey Analysis⁹ shows that after six years around 30% have settled in the UK. They may change their employer but only to work for another diplomat belonging to the same mission. They are also able to bring dependants to the UK with them.

Proposal

After considering the consultation responses, the final policy proposal is to retain the broad structure of the diplomatic ODW route. However, ODWs will no longer be able to change their employer or settle in the UK. This enables the ODW to come to the UK with their employer and leave the UK when their employer's period of posting is complete. As for ODWs in private households, many diplomatic ODWs change employer for reasons not related to abuse. As diplomatic ODWs can expect to be in the UK for a longer period of time¹⁰, they will continue to be allowed to bring their dependants with them.

The Government will also introduce a new protection strategy, comprising menu of options of entry requirements, information on and access to protections while in the UK and assistance to return home.

Impact on volumes

Removing settlement rights and the right to change employer from diplomatic ODWs is not expected to impact the volume of diplomatic ODWs entering the UK. ODWs in diplomatic households will still be able to remain in the UK for up to five years and bring their families to the UK with them. Prior to 2008, ODWs in a diplomatic household was a separate category in the Immigration Rules. After this date, the route was included in Tier 5. In 2010/11, 429 migrants entered the UK under the Tier 5 International Agreement route. Whilst UKBA do not have the data to determine how many were ODWs in diplomatic households, around 250 were admitted in 2007/8 and we have assumed that this remains constant over time. Assuming that the proportion of dependants is constant for all Tier 5 migrants, we estimate that around 20 dependants enter per year.

⁹ Internal Analysis of the Migrant Journey Analysis Dataset. The Migrant Journey Analysis is a cohort analysis of the current status of those who entered the UK in 2004.

¹⁰ The Migrant Journey Analysis shows that up to 30% of diplomatic ODW's settle in the UK compared to 22% of other ODW's. See Table A3.5.

Removing settlement rights for this group will have only a small impact on settlement grants. Although 30% of ODWs in diplomatic households do settle, the nominal figures are very low. We expect 60 settlement grants to be prevented from 2017 onwards.

It is thought that introducing additional pre entry criteria may reduce the volume of diplomatic ODW who come to the UK. It is believed that volumes will fall by between 0% and 5%. This assumption is uncertain and has been tested in the sensitivity analysis. This will reduce the volume of visas granted by between 0 and 10 per year from 2012 onwards. Reducing the volumes of main applicants may reduce dependant's visa volumes by between 0 and 5.

Net migration

For diplomatic ODWs the volumes are very small. The number of visas affected is expected to be less than 15 per year.

Costs

Direct set up costs

- **UKBA staff training and familiarisation costs** – there will be costs to UKBA of training and familiarising staff with the new rules and guidance. However, training is only likely to be delivered once for the whole policy package. Thus the training and familiarisation effects have been included in the ODW private household impacts.
- **Familiarisation for private and third sector immigration advisers** – As above, training and familiarisation is only likely to be delivered once for the whole package. The costs have been included in the private household ODW costs.

Changing rules for diplomatic households is likely to impose costs on the sponsors of diplomatic ODW. This is in addition to the general private and third sector costs described above. Assuming that each diplomatic ODW has at least one member of staff in their related embassy that will require a degree of training and familiarisation in the new rules, taking up to an hour, at a wage of £12¹¹, the total cost is expected to be negligible.

Direct Ongoing costs

- **Reduced UKBA fee income** – there will be UKBA income effects associated with the estimated reductions in applications and hence fee income. Fees for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 3. Using the application to grant rates, it is estimated that applications may fall by around 30 - 100 per annum. If this is the case, then total reduced fee income will be up to between £0.6 million and £0.7 million (NPV) over 10 years.

Wider economic and social impacts

- **Impacts on economic output** –.

Overseas Domestic Workers – Main applicant

Tier 5 migrants are required to have a sponsor in the UK. In the case of ODWs in diplomatic households, the embassy is the sponsor not the diplomat. Thus any change in output should be counted as a change in the embassies output. The ONS suggest that output of UK staff overseas is included in UK GDP, which implies that the output of overseas staff in the UK is included in overseas GDP.

¹¹ We use the median wage for "all administrative staff" of around £10 per hour for embassy workers and apply on-costs of 24% in line with BIS guidance

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This means an output loss/gain associated with overseas embassies should not be counted as they are not in scope of the UK output calculation and IA process. However, the volumes are very small and the subsequent impact would be small.

Dependants of diplomatic ODWs

Numbers of dependents of diplomatic ODWs prevented from settling are small (around 20 per annum) and therefore, using the same method as for ODW dependents given above, the GDP impact is estimated to be between £0.3 million and £0.4 million over ten years.

Benefits

Direct ongoing benefits

- **Reduced UKBA case work costs** – there may be a reduction in UKBA case work costs where applications fall due to strengthening pre entry and returns requirements. Case unit costs for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 3. These savings are expected to be between £0.3 million and £0.4 million over 10 years. UKBA expects case work costs to fall over this time period due to the introduction of new processes such as the integrated case work system. However, these are the best estimates at the current time.

Wider economic and social impacts

- **Welfare savings** – those migrating to the UK for work reasons are unlikely to be able to claim most benefits until they have qualified for settlement. This is usually after five years of continuous work in the UK. Reducing the volume of ODWs coming to the UK, and consequently settling, is expected to result in small benefit savings over time. Assuming ODW migrants take up benefits in line with the average of the UK population, we estimate, at current benefit levels¹², that benefit units will on average use between £741 and £2,610 in benefits per annum. See Annex 4 for detailed calculations and sources. Using the estimated reduction in ODW settlement up to 50 per annum, it is estimated cumulative benefit savings could be in between £0.4 - £1.5 million (NPV) over 10 years. These estimates have been refined during the consultation to take benefit units instead of individuals into account.
- **Reduced public service provision** (reductions in health, education and Criminal Justice System (CJS) costs) – the proposal should help reduce pressures on public services by reducing the volume of people eligible to utilize them. Where there is a reduction in the volume of ODW migrants coming to the UK, there will be a proportionate reduction in the costs of health and education, assuming migrants have the same unit costs as the UK average. The estimated savings are given in the table below. See Annex 4 for detailed calculations and sources. Diplomatic employees are expected to have no impact upon the criminal justice system due to their diplomatic status.

Table 7 – Savings in public service provision

£m	Low	High
Health	£1	£1
Education	£0	£0

There will also be benefits associated with reduced burdens on other public services such as transport, local council services and congestion. It is not possible to quantify these impacts.

Wider non-monetised impacts and risks

¹² See DWP and HMRC websites for more information on benefit levels

- **Impacts on Overseas Domestic Workers** – Stakeholders have expressed concerns about ODW being trapped in abusive conditions if they are no longer allowed to change employer. As discussed on page 16 for ODW in private households, the evidence leads us to believe the risk of abuse to ODW will not be increased from current levels.
- **Increased social cohesion** – To the extent the proposals reduce the volumes of ODW migrants coming to the UK, there may be a small positive impact on social cohesion through reducing perceived competition for finite resources. It is not possible to quantify this.

Summary of costs and benefits

The table below sets out a summary of the key monetised costs and benefits.

Table 8 – Summary of costs and benefits associated with Diplomatic ODW proposals

Set Up Costs		Low - £m	Central - £m	High - £m
UKBA	Set Up	£0.00	£0.00	£0.00
Private and third sector	Training and Familiarisation	£0.0	£0.03	£0.1
Total Set Up Costs		£0.00	£0.03	£0.07
Ongoing Costs				
UKBA	Lost Fee Income	£0.7	£0.7	£0.7
UK Economy	Reduction in Output	£0.3	£0.3	£0.4
Total Ongoing Costs		£0.9	£0.9	£1.1
Total Costs		£1	£1	£1
Ongoing Benefits				
UKBA	Reduction in processing costs	£0.3	£0.3	£0.4
Public Services	Reduction in Public service provision	£0.9	£0.9	£1.1
	Reduction in welfare benefits	£0.4	£0.4	£1.5
UK Economy	Increase in Output	£0.0	£0.0	£0.0
Total Benefits		£2	£2	£3
Net Benefit		£1	£1	£2

Sensitivity Analysis

The small volumes affected by this policy mean that it is not very sensitive to the assumptions used.

The main assumption driving the volumes of ODW affected is the proportion of ODWs affected by strengthening the pre entry requirements.

- If it is assumed that zero ODW are affected by strengthening pre-entry requirements, the net present value remains at £1m.
- If it is assumed that 10% ODW are affected by strengthening pre-entry requirements, the net present value increases to £3m.

Tier 5 (Temporary Workers)

Current Policy

Tier 5 (Temporary Workers) currently includes a number of sub-categories which cater for a wide range of temporary work opportunities. Sportspersons, creative artists, charity and

religious workers, people coming under government authorised exchange schemes and those doing work covered by international law are all catered for in Tier 5.

The Government Authorised Exchange (GAE) sub-category is for people coming to the UK through approved schemes that aim to share knowledge, experience and best practice, and to experience the social and cultural life of the UK. This sub-category must not be used to fill job vacancies or to bring unskilled labour to the UK. Tier 5 (GAE) migrants are employed in a wide range of schemes ranging from work experience placements of a matter of weeks to research and professional training schemes of up to 24 months. It is currently possible to apply for an extension of stay up to the maximum length of 24 months.

The International Agreement (IA) sub-category covers people coming to the UK to do work covered under international law such as the General Agreement on Trade in Services (GATS) or free trade agreements (FTA), employees of foreign governments and international organisations and overseas domestic workers in diplomatic households (which are covered elsewhere in this impact assessment).

- migrants in the General Agreement on Trade in Services (GATS) and similar agreements between the UK and another country – may be granted leave up to a maximum of 24 months;
- employees of overseas governments and international organisations – may be granted leave up to an initial maximum of 24 months, with the option to make in-country extensions for periods of 12 months at a time up to a total maximum of 72 months;

Proposal

After consideration of the consultation responses the Government have agreed not to make any major changes to the Tier 5 routes. However, some technical changes to the two sub-categories mentioned above are being proposed. The final proposal is to limit the stay of some GAE workers to 12 months. This will apply to those on work experience, youth exchange and internship schemes. Those undertaking research, fellowships or training in the fields of medicine and science will not be affected.

The final proposal for international agreement workers coming to the UK to work as contract service suppliers or as independent professionals under a free trade agreement or under GATS is to limit their leave to 6 months. The UK is only obliged to admit workers under GATS for 3 months and 6 months under FTAs. We propose to adopt a common 6 month baseline and will introduce this restriction from autumn 2012.. All other IA routes are unaffected.

Impact on volumes

In 2011, 3,600 GAE visas were granted. Around 70% of these were for periods of less than six months. It is believed that the vast majority of visas issued for more than 12 months are to research posts or medical training and thus most visas issued for less than 12 months are for the work-experience-type GAE schemes. Thus there is expected to be very little impact on volumes. However, we believe that continuing to allow work-experience GAE migrants to stay potentially for up to 24 months is unnecessarily generous and are taking action to close this possibility.

In the same time period, only 500 visas were issued under the Tier 5 International Agreement route. However, we believe that a maximum of 200 will be affected by these changes as 250 of these were to overseas domestic workers in diplomatic households and others will be for those working for foreign governments and international organisations. Management information shows that up to a third of the 200 expected to be affected may already be granted visas for less than 6 months. The volumes affected by the changes are therefore expected to be around 100 per year (including dependants). These applicants will be granted visas for six months and will not be eligible to extend them.

The impact on net migration is expected to be negligible due to the small volumes affected.

Costs

Direct set up costs

- **UKBA staff training and familiarisation costs** – there will be costs to UKBA of training and familiarising staff with the new rules and guidance. The estimated costs for all of the proposals covered in this impact assessment have already been provided in the impacts section on overseas domestic workers in private households.
- **Familiarisation for private and third sector immigration advisers and Tier 5 sponsors** – there will be costs in training and familiarising staff with the new rules and guidance. The estimated costs for all of the proposals covered in this impact assessment have already been provided in the impacts section on overseas domestic workers in private households.

The volume of Tier 5 sponsors affected is very small; there are around 250 GAE and IA sponsors currently in the system. The training costs for sponsors, under the same assumptions as those for immigration advisers, fall within the overall training and familiarisation cost for private and third sector firms.

Wider economic and social impacts

- **Impacts on economic output** – In the previous series of impact assessments on migration limits, lost output has been counted as a cost to the economy when the volume of workers in the UK has been reduced. The output effects vary by type of migrant.

Tier 5 – Main applicants under the GAE and IA sub-categories

Reducing the length of time certain IA migrants can work in the UK may reduce the level of output as migrants will be required to leave the UK after six months. These migrants come to the UK under the GATS scheme and other freestanding Free Trade Agreements as contract service suppliers or independent professionals. Our central proposal is that from the autumn 2012 their stay will be limited from 24 to 6 months, with no possibility of extension and we think this will actually more than satisfy current practice. Since an IA migrant may not fill a vacancy, but only offer advice or provide a service, we do not foresee that the company receiving that advice will need to recruit another individual to make up for the reduced length of time the original IA migrant may now remain here. In any event 6 months exceeds the international minimum length of time agreed for IA GATS migration, which is 3 months.

Tier 5 migrants are required to have a sponsor in the UK. Evidence from UKBA management information on the type of jobs and earnings from the Annual Survey of Hours and Earnings (ASHE) suggest that the average wage is £26,000. It is assumed that they may be prevented from working in the UK for between 6 months and 18 months depending on the length of visa and extensions they may have been granted before this policy change. These assumptions lead to an estimated output loss of between £1.7m and £5.0m over ten years.

As lost output relates to a change in the length of stay of migrants, it is unlikely that any displacement could occur. Thus, this assumption has not been tested in the sensitivity analysis.

There is not expected to be any impact on GAE workers.

Tier 5 – Dependants

Numbers of dependants of Tier 5 IA workers are small (around 20 per annum). It is assumed that they will be prevented from working in the UK for between 6 months and 18

months depending on the length of visa and extensions they may have been granted before this policy change. Therefore, using the same earnings estimates as for ODW dependants given above, the GDP impact is estimated to be between £0.2m and £0.7m over ten years.

Benefits

Direct ongoing benefits

- **Reduced UKBA case work costs** – the IA migrants affected by the change are those coming to the UK under the auspices of GATS or a Free Trade Agreement to provide services. Currently these individuals are allowed to stay here for up to 24 months, which may require an extension of stay once in the UK. Our central proposal is that their stay is limited to 6 months, with no possibility of extension.

As a result we expect UKBA visa renewal costs to fall, because there will be no renewal of the original visa. Because an IA migrant may not fill a vacancy, but only offer advice, we do not foresee that the company receiving that advice will necessarily wish to recruit another individual to make up for the reduced length of time the original IA migrant may now remain here. In any event 6 months exceeds the international minimum length of time agreed for IA migration, which is 3 months.

Case unit costs for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 4. These savings are expected to be around £0.1 million over 10 years. UKBA expects case work costs to fall over this time period due to the introduction of new processes such as the integrated case work system. However, these are the best estimates at the current time.

Wider economic and social impacts

- **Reduced public service provision** (reductions in health, education and Criminal Justice System (CJS) costs) – the proposal should help reduce pressures on public services by reducing the volume of people eligible to utilize them. Where there is a reduction in the length of stay of IA migrants coming to the UK, there will be a proportionate reduction in the costs of health, education and CJS costs, assuming migrants have the same unit costs as the UK average. The estimated savings are given in the table below. The low estimates refer to a reduction of 6 months while the high estimates assume an 18 month reduction in length of stay. See Annex 4 for detailed calculations and sources.

Table 9 – Savings in public service provision

£m	Low	High
Health	£0.3	£0.9
Education	£0.1	£0.4
Criminal Justice	£0.0	£0.1

There will also be benefits associated with reduced burdens on other public services such as transport, local council services and congestion. It is not possible to quantify these impacts.

Wider non-monetised impacts and risks

Summary of costs and benefits

The table below sets out a summary of the key monetised costs and benefits.

Table 10 – Summary of costs and benefits of Tier 5 proposals

Set Up Costs		Low - £m	Central - £m	High - £m
UKBA	Set Up	£0.0	£0.0	£0.0
Private and third sector	Training and Familiarisation	£0.0	£0.0	£0.0
Total Set Up Costs		£0.0	£0.0	£0.0
Ongoing Costs				
UKBA	Lost Fee Income	£0.1	£0.1	£0.1
UK Economy	Reduction in Output	£1.9	£3.8	£5.7
Total Ongoing Costs		£2.0	£3.9	£5.9
Total Costs		£2.0	£3.9	£5.9
Ongoing Benefits				
UKBA	Reduction in processing costs	£0.1	£0.1	£0.1
Public Services	Reduction in Public service provision	£0.5	£1.0	£1.4
	Reduction in welfare benefits	£0.0	£0.0	£0.0
UK Economy	Increase in Output	£0.0	£0.0	£0.0
Total Benefits		£0.6	£1.1	£1.6
Net Benefit		-£1.4	-£2.9	-£4.3

New Permitted Paid Engagements (PPE) Visitor category

Current Policy

The consultation has revealed that there are some short term paid activities for which there is currently little or no provision within the rules. The Immigration Rules allow for business and entertainer visitors to enter the UK through the visitor route to carry out certain specified activities. They cannot accept any payment for activities undertaken in the UK and can stay for up to six months. Alternatively, entertainers can come through T5 creative route if they intend to be paid while in the UK or Tier 2 if they are skilled. Persons who want to come here to work, either for themselves or an employer for a salary can come through Tier 2 or Tier 5.

Proposal

The Tier 5 routes allow employers to sponsor non-EEA nationals to come here and work temporarily, including in the creative sector. The level of bureaucracy is considered onerous by the sectors for very short term activities. There is no immigration or labour market risk associated with making provision for these workers. The proposed changes will allow for a small number of professionals, artists, entertainers and sports-persons to undertake permitted paid engagements which relate to their skills and/or qualifications, and main occupation overseas, without the need for formal sponsorship, but with additional restrictions on length of stay – up to one month . Those who will be able to use the PPE route include visiting examiners and lecturers; qualified lawyers providing advocacy work, arbitration or other form of dispute resolution; artists exhibiting and selling their works .

Nationals of non visa countries can access the visa waiver scheme and will not need a visa but will need documentation to satisfy an immigration officer of their intentions at port. Those needing a PPE visitor visa will need to submit their documents, and other evidence, with their visa application.

Impact on Volumes

The impact on volumes is uncertain. Although employers and sectors have responded to the consultation, we do not know how many people have been deterred from coming to the UK for short term paid activities due to the current lack of provision in the Immigration rules.

The UK Border Agency is unable to provide an accurate split between sports and creative routes in Tier 5, meaning the volume of applications for creative routes due to the lack of provision in the immigration rules is unknown. It is also not possible to estimate how many

entertainers may have been deterred from entering the UK due to lack of provision in the rules and the significant burden on their sponsor if applying through Tier 5.

There is no impact on net migration from this proposal. Migrants are only counted in the IPS if they intend to stay in the UK for more than 12 months. Length of stay for those previously entering under Tier 5 will be unchanged at one month. Those previously deterred from entering the UK and now entering under the new PPE visitor route will be granted maximum leave of one month.

Costs

As the volumes affected by the proposed change in policy are unknown, it has not been possible to quantify the costs and benefits. However, a discussion of these is set out below.

Direct Set-up costs

- **UKBA staff training and familiarisation costs** – there will be costs to UKBA of training and familiarising staff with the new PPE visitor rules and guidance. However, training is only likely to be delivered once for the whole policy package.
- **Familiarisation for private and third sector immigration advisers** – As above, training and familiarisation is only likely to be delivered once for the whole package.

Direct Ongoing costs

- **Reduced UKBA fee income** – there will be UKBA income effects associated with the estimated reductions in applications for Tier 5 creative and sporting visas or Tier 2 visas. These applicants will instead apply for PPE visitor visas or, for non visa nationals, no visa at all will be required. Fees for visitors, Tier 5 and Tier 2 applications are set out in Annex 3. However, given the unknown volumes affected, it is not possible to quantify the impacts.

Tier 5 and Tier 2 applications require sponsorship from an employer. To do this, the employer must be a licensed sponsor, and apply for a certificate of sponsorship for the employee. If a Tier 5 application is no longer required, UKBA will lose the fee income associated with certificates of sponsorship and sponsor licences if the sponsor only sponsors short-term migrants.

- **Increase in processing costs to UKBA** - The policy change is expected to result in an increase in visitor visa applications, which will require processing by UKBA. Visitor visas are subsidized by other visa fees and the processing costs exceeds the visa fee. This implies that UKBA will incur a cost for each PPE visitor visa application.

There is also likely to be additional costs for UKBA when granting leave to enter at the UK border. PPE visitors will be required to provide documentation in support of their stay to an immigration officer.

As the volumes affected are unknown, it is not possible to quantify the impacts.

Wider risks

- **Maintain legitimate sponsorship controls** – The Government must ensure that valid sponsorship controls are maintained in the PBS and the proposed PPE visitor route does not allow these to be circumnavigated. In order to ensure that this continues, the PPE visitor route will only be applied to tightly defined set of activities and will apply only to those coming to the UK for less than one month. In addition the new PPE visitor route will only be applied to low risk professionals. Tier 5 will remain available for those where sponsorship is more appropriate.

Benefits

Direct ongoing benefits

- **Reduced UKBA case work costs** – there will be a reduction in UKBA case work costs where Tier 5 creative and sporting applications fall. As volumes of certificates of sponsorship and licences are also likely to fall, casework costs associated with processing these will also fall. Case unit costs for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 4. These savings have not been quantified as volumes are unknown.

Wider economic and social impacts

- **Impacts on economic output** – Allowing certain professionals, artists, entertainers and sports-persons to enter the UK to undertake paid activities will increase economic output in the UK. However, given that volumes and expected earnings are unknown, it is not possible to quantify this.
- **Regulatory savings for employers** – Allowing certain professionals, artists, entertainers and sports-persons visitors to apply under the PPE visitor route instead of Tier 2 or Tier 5 should result in significant monetary and regulatory savings for businesses. Businesses will no longer require certificates of sponsorship for each Tier 2 or Tier 5 migrant, resulting in financial savings and time savings for each organisation. Further time and financial savings are expected as some businesses may no longer need a sponsor licence if the people they were sponsoring can now enter under the PPE visitor route. However, as volumes are unknown, this cannot be quantified.

Summary of all proposals

The table below sets out the expected costs and benefits from all of the proposals covered in this impact assessment.

Table 11 – Overall summary of costs and benefits of all proposals

Set Up Costs		Low - £m	Central - £m	High - £m
UKBA	Training and Familiarisation	£0.2	£0.4	£0.5
	Guidance Notes	£0.0	£0.0	£0.0
	IT Costs	£0.0	£0.0	£0.0
	Judicial Review	£0.0	£0.0	£0.0
Private and third sector	Training - Sponsors	£0.0	£0.0	£0.0
	Training - Lawyers	£0.0	£0.0	£0.0
	Training - 3rd sector	£0.0	£0.0	£0.0
Total Set Up Costs		£0.3	£0.4	£0.6
Ongoing Costs				
UKBA	Lost Fee Income	£103	£108	£112
UK Economy	Reduction in Output	£1,198	£1,259	£1,321
Total Ongoing Costs		£1,301	£1,367	£1,433
Total Costs		£1,301	£1,367	£1,433
Ongoing Benefits				
UKBA	Reduction in processing costs	£56	£59	£62
Public Services	Reduction in Public service provision	£141	£148	£155
	Reduction in welfare benefits	£7	£16	£26

UK Economy	Increase in Output	£1,184	£1,244	£1,303
Total Benefits		£1,389	£1,467	£1,546
Net Benefit		£88	£100	£112

Impact on businesses

The proposals covered in this IA are expected to have set up impacts on the third and private sector. These are expected to affect immigration advisors and some Tier 5 sponsors and are thought to be small, less than £100,000 in year one.

There are expected to be reductions in regulatory burdens on firms wishing to invite certain professionals, artists, entertainers and sports-persons to the UK as they will no longer need to fulfil any sponsorship requirements. However, it has not been possible to estimate these savings due to unknown volumes.

There are no ongoing impacts on firms, only individuals employing domestic workers.

F. Risks and Sensitivity Analysis

There are a number of sensitivities and uncertainties associated with the impacts modelled in this impact assessment. The key sensitivities have been discussed under each option. The assumptions used to calculate the high and low estimates are set out in Annex 3. The effects on the cumulative NPV of all policies discussed in this impact assessment are set out below.

The main assumption driving the volumes of ODW affected is the proportion of ODWs affected by strengthening the pre entry requirements.

- If it is assumed that zero ODW are affected by strengthening pre-entry requirements, the net present value falls to £83m.
- If it is assumed that 50% ODW are affected by strengthening pre-entry requirements, the net present value increases to £121m.

The NPV estimates presented in table 6 assume that all ODW's who are prevented from coming to the UK are replaced by a worker from the UK labour market as it is believed that the demand for domestic labour will continue to exist. However, it may be the case that a lower proportion of these jobs are filled by a UK resident worker.

- If it is assumed that 75% of jobs are filled in the UK, the central estimate of the net present value falls to -£211m.
- If it is assumed that 50% of jobs are filled in the UK, the central estimate of the net present value falls to -£522m.

The estimates presented in table 6 also assume that the jobs filled by the UK labour market, are filled at the same wage rate as an ODW would have accepted. It is possible that wages paid to UK workers may be higher.

- If it is assumed that wages are 10% higher for UK resident workers than ODWs, the central estimate of the NPV increases to £224m.
- If it is assumed that wages are 20% higher for UK resident workers than ODWs, the central estimate of the NPV increases to £349m.

G. Enforcement

UKBA will enforce the policies described above. There is not expected to be an increase in enforcement activity but expenditure may be reallocated.

H. Summary and Recommendations

The table below outlines the summary costs and benefits of the proposed changes.

Table 12 – Summary table

Table H.1 Costs and Benefits		
Option	Costs	Benefits
1	£0	£0
2	£1,367 (PV over 10 years)	£1,467 (PV over 10 years)

Source: Home Office Analysis

The preferred option is option 2 – reform to ODW and Tier 5 Temporary Worker routes.

I. Implementation

These changes will be implemented from April 2012 onwards. Tier 5 migrants and ODW already in the UK or in possession of a valid visa at this date will not be affected.

J. Monitoring and Evaluation

The new policies will be monitored by UKBA.

K. Feedback

Feedback from the consultation has been used to form the policies assessed in this impact assessment. Findings from future monitoring will continue to be built into policy development.

Annex 1. Specific Impact Tests

Statutory Equality Duties

Equality Impact Assessment

A Policy Equality Statement has been completed and is available at www.homeoffice.gsi.gov.uk

Economic Impacts

Competition Assessment

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?
- Does the policy change or reduce the suppliers' incentives to compete vigorously?

Overseas Domestic Workers

The proposed policy options will not directly limit the number or range of suppliers (e.g. recruitment agencies) of ODWs as recruitment takes place overseas. The ODW must already be an employee of their sponsor before they will be granted a visa to come to the UK. A reduction in business may result from the proposal to restrict length of stay in the UK and ability to change employer because less ODWs may want to use the route and they would not be seeking new jobs. The proposals do not limit suppliers' ability to compete on a level playing field.

Tier 5

The proposed policy options will not directly limit the number or range of suppliers of the PBS. A reduction in business may result from the proposal to restrict the length of stay in the UK for Tier 5 migrants. The proposals do not limit suppliers' ability to compete on a level playing field.

New Permitted Paid Engagements (PPE) Visitor route

The proposed policy option to reduce regulation to allow certain professionals, artists, entertainers and sports-persons to enter for short periods is expected will make a positive contribution to the economy and enrich the cultural experiences on offer in the UK

Small Firms Impact Test

The policy will be applied to small businesses in the same ways as to other businesses. It is possible that some small businesses may find it more difficult than others to deal with any changes that may be implemented. However:

- The ODW in private households' proposals will apply mainly to individuals employing domestic help.
- The ODW diplomatic household proposals will affect embassies.
- The Tier 5 International Agreement and GAE proposals will affect mainly large international employers. Small firms are not expected to be affected.
- The proposed introduction of a new PPE visitor category for certain professionals, artists, entertainers and sports-persons will also affect large organisations such as universities and research institutions.

Justice

There may be an increase in the number of Judicial Reviews as a result of the settlement proposals outlined for ODW migrants. However, these impacts are expected to be negligible and have not been quantified.

Applications for ODW visas and visitor visas attract no right of appeal, thus there will be no impact on appeals. Tier 5 visa applications attract the right of administrative review of the visa is refused. However, the proposals in this impact assessment are not expected in impact on the volumes of applications refused, instead the length of visa granted may change.

Rural Proofing

We do not have any information on the distribution of migrants likely to be affected.

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ODWs in diplomatic households and Tier 5 International agreement migrants are likely to be attached to Embassies or International Organisations, the majority of which are located in major cities. We have assumed that all other migrants affected by these proposals are evenly distributed around the UK and there will be no disproportionate effect on rural areas.

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Annex 2 - EMPLOYMENT-RELATED SETTLEMENT, TIER 5 AND ODWS CONSULTATION SUMMARY OF RESPONSES

SUMMARY OF RESPONSES

Overview

- Support for restricting Tier 5 temporary worker leave to 12 months (49% agree; 29% disagree) and raising the Government Authorised Exchange scheme skill level (52% agree; 30% disagree).
- Disagreement with proposals for restricting Tier 5 migrants' right to bring dependants (60% disagree) or removing dependants' right to work (57% disagree).
- Mixed views on reforming the overseas domestic worker (ODW) routes but with more people disagreeing than agreeing with the proposals.

Findings

The findings are based on 12,499 online and offline (post and email) responses received to the Government's consultation 'Employment-related settlement, Tier 5 and overseas domestic workers'. The consultation ran between 9th June 2011 and 9th September (it closed at midnight) 2011. A summary of the responses to the Tier 5 and the ODW questions are presented below. Further information is available in the document [\[insert title and web link for published response doc\]](#).

Tier 5 – Temporary Workers

Forty-nine per cent of all respondents agreed that those who enter on the temporary worker route should be restricted to a maximum of 12 months leave to reinforce the temporary nature of the route. In particular, British respondents and those responding on behalf of organisations, from hereon called 'organisations', were more likely to support the proposals (55% and 52% respectively) compared with the non-British respondents (47%).

Sixty per cent of all respondents disagreed with the proposal to remove the ability for Tier 5 Temporary Workers to bring in dependants. Those responding in an official capacity and the non-British respondents were more negative towards the proposal (64% and 63% respectively) compared with the British respondents (59%).

If Tier 5 Temporary Workers were allowed to continue to bring in their dependants, over half of all respondents (57%) felt the dependants should still have a right to work. Non-British respondents were more inclined to feel that dependants should still have a right to work (62%) compared with the British respondents (56%) and 'organisations' (51%).

Fifty-two per cent of all respondents agreed that the skill level for the GAE sub category be raised to graduate level. Thirty per cent disagreed. In particular, the 'organisations' and the British respondents were most likely to agree (both 57%) compared with the non-British respondents (50%).

ODWs

Fifty-five per cent of all respondents disagreed that the route for domestic workers in private households should be closed. Thirty per cent agreed with the proposal. The non-British respondents and the British respondents were more likely to disagree with the proposal (56% and 53% respectively) compared with the 'organisations' (43%).

Forty-three per cent of all respondents disagreed that domestic workers leave should be capped. Forty per cent thought it should be capped. British respondents and 'organisations' were more likely to support the proposal (48% and 45% respectively) compared with the non-British respondents (38%).

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Forty-three per cent of all respondents disagreed with the proposal that the unrestricted right of ODWs in private households to change employer be removed. Thirty-six per cent agreed. The 'organisations' were more supportive of the proposal (43%) followed by the British respondents (41%), whilst 34% of the non-British respondents agreed with the proposal.

Slightly more of the respondents (41%) agreed with the proposal than disagreed (40%) that leave for private servants in diplomatic households is capped at 12 months. British respondents and 'organisations' were more likely to support the proposal (49% and 47% respectively) compared with the non-British respondents (38%).

Forty-three per cent of all respondents disagreed that an avenue to settlement should be removed from ODWs. Thirty-nine per cent agreed. British respondents and 'organisations' were more likely supportive of the proposal (47% and 45% respectively) compared with the non-British respondents (35%).

Over half (57%) of all respondents disagreed with the proposal to remove ODWs right to bring in their dependants. Twenty-eight per cent agreed. British respondents were more likely to support the proposal (34%) compared with the 'organisations' (28%) and the non-British respondents (25%).

Over half (53%) of all respondents disagreed that ODWs' dependants' right to work be removed. Thirty per cent agreed with the proposal. British respondents and 'organisations' were more likely to support the proposal (36% and 31%) compared with the non-British respondents (27%).

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Annex 3 – Statistical Data and Assumptions

Control of Immigration Statistics – Q2 2011 Release

Table A3.1 - Out of Country Visa Grants

Type	Category	2007	2008	2009	2010	2011
Work	Main applicant Tier 5 - Charity Workers	0	5	1,853	2,259	2,189
Work	Main applicant Tier 5 - Creative and Sporting	0	1	5,951	7,757	8,020
Work	Main applicant Tier 5 - Government Authorised Exchange	0	0	1,732	3,235	3,621
Work	Main applicant Tier 5 - International Agreement	0	0	445	453	465
Work	Main applicant Tier 5 - Religious Workers	0	0	1,038	1,550	1,645
Work	Main applicant Tier 5 - Youth Mobility	0	376	20,083	20,720	20,644
Work	Main applicant Private servants in Diplomatic Households	253	191	1	0	2
Work	Main applicant Religious workers	1,133	963	83	14	0
Work	Main applicant Working holidaymakers	39,390	34,462	5,094	550	17
Work	Main applicant Other permit free employment	4,345	5,000	38	2	1
Work	Dependant Tier 5 Dependant	0	0	755	1,278	1,316
Work	Main applicant Domestic workers in Private Households	16,645	16,458	14,886	15,351	16,187
Work	Main applicant UK Ancestry	8,381	7,711	4,888	4,770	4,352
Work	Main applicant Other permit free employment - Non-PBS	318	284	521	490	652
Work	Dependant Domestic workers in Private Households	152	75	246	336	245
Work	Main applicant Other permit free employment not allocated	21,859	15,670	956	839	666

Source: Col Stats Table Be.04q Entry clearance visas issued by category

Table A3.2 In Country Extension grants

Type	Category	2007	2008	2009	2010	2011
Work	Main applicant Tier 5 - Charity Workers	0	0	14	30	38
Work	Main applicant Tier 5 - Creative and Sporting	0	0	23	113	181
Work	Main applicant Tier 5 - Government Authorised Exchange	0	0	9	116	136
Work	Main applicant Tier 5 - International Agreement	0	0	16	41	160
Work	Main applicant Tier 5 - Religious Workers	0	0	14	95	113
Work	Main applicant Private servants in Diplomatic Households	0	432	287	63	8
Work	Main applicant Religious workers	0	199	27	1	0
Work	Main applicant Other permit free employment	0	285	79	12	11
Work	Dependant Tier 5 - Charity Workers	0	0	0	1	2
Work	Dependant Tier 5 - Creative and Sporting	0	0	0	10	4
Work	Dependant Tier 5 - Government Authorised Exchange	0	0	5	96	70
Work	Dependant Tier 5 - International Agreement	0	0	9	18	58
Work	Dependant Tier 5 - Religious Workers	0	0	2	13	18
Work	Dependant Private servants in Diplomatic Households	0	24	13	7	1
Work	Dependant Religious workers	0	3	2	0	0
Work	Dependant Other permit free employment	0	0	0	0	..
Work	Main applicant Domestic workers in Private Households	0	5,875	6,462	6,645	6,159
Work	Main applicant UK Ancestry	0	3,918	3,411	1,503	735
Work	Main applicant Other permit free employment	0	2,341	3,563	4,417	4,557
Work	Dependant Domestic workers in Private Households	0	509	547	608	490
Work	Dependant UK Ancestry	0	1,474	1,166	461	219
Work	Dependant Other permit free employment	0	0	0	0	..
Work	Main applicant Other permit free employment not allocated	0	103	10	3	0
Work	Dependant Other permit free employment not allocated	0	6,824	2,672	1,874	1,544

Source: Col Stats Table ex.06.q: Grants of an extension of stay by category

Propensity to Settle in the UK

Tables A3.3 and A3.4 are based on analysis of the Migrant Journey Analysis dataset. This tracks a cohort of migrants entering the UK in 2004 through to the most recent year and provides data on current immigration status. This allows us to estimate what proportion of migrants entering as an ODW or Tier 5 worker are still in the UK and what proportion have settled.

Table A3.3 – Migrant Journey Analysis estimate of ODWs settling in the UK

		yr 5	yr 6
Visitors ODW	Settlement	1.2%	2.4%
Other ODW	Settlement	11.2%	21.9%
Diplomatic ODW	Settlement	25.4%	29.5%

Table A3.4 – Migrant Journey Analysis estimate of ODWs who extend their stay in the UK

% who extend	Category	Yr 0 (entry)	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6
Visitor	Work (Non	41%	6%	5%	5%	5%	3%	2%
Other	Citz)	88%	46%	37%	34%	31%	19%	7%
Diplomatic		79%	36%	26%	19%	15%	10%	4%

UKBA Product Fees

Table A3.7 – Out of Country Visa Product Fees

PRODUCTS	2010/11 Fees (£)	Estimated Unit Cost for 10/11	Proposed Fee for 11/12
Non PBS Visas			
Short term visitor visa	70	140	76
Long term visit visa (up to 2 yr)	245	140	265
Long term visit visa (up to 5 yr)	450	140	486
Long term visit visa (up to 10 yr)	650	140	702
Settlement visa *	750	389	810
Settlement Visa *- Dependent Relative	1680	455	1814
Other visa	245	162	265
Transit Visa	47	72	51
Certificate of Entitlement	245	353	265
Vignette Transfer Fee	93	162	100
Call out/out of hours fee	£128/hour up to max of £922/day	134/hr	£130/hour up to max of £939/ day
PBS Visas			
T1(General, Investor / Entrepreneur)*	750	429	800
T1 (General/Entrepreneur) CESC *	700	429	720
T1 (Post Study) *	344	456	474
T1 (Transition)	332	0	332
T1 (Transition) CESC	300	0	300
T2 *	350	249	400
T2 (CESC) *	300	249	360
T4 **	220	287	255
T5	120	205	190
T5 (CESC)	130	205	171
T5 Dependant	120	205	190

Table A3.8 - In Country Product Fees

PRODUCTS	Estimated Unit Cost for 10/11	Proposed Fee for 11/12	Dependents Fee
PBS - Migrants Inside UK			
T1 (General) - Postal *	269	1000	500
T1 (General) - PEO *	253	1300	650
T1 (General/Entrepreneur) CESC Postal *	269	900	500
T1 (General/Entrepreneur) CESC PEO *	253	1170	650
T1 (Invs or Ent) - Postal *	269	1000	500
T1 (Invs or Ent) - PEO *	253	1300	650
T1 (Post Study) – Postal	338	594	297
T1 (Post Study) - PEO *	338	918	459
Tier 1 (Transition) Postal *	n/k	500	250
Tier 1 (Transition) PEO *	169	850	425
T2 - Postal *	169	550	275
T2 - PEO *	169	850	425
T2 CESC Postal *	169	495	275
T2 CESC PEO *	169	765	425
T4 - Postal *	316	386	193
T4 - PEO *	316	702	351
T5 – Postal	235	190	95
T5 – PEO	240	648	324
T5 CESC Postal	235	171	95
T5 CESC PEO	240	583	324
LTR Non Student Postal Main	418	550	275
ILR – Incountry	243	£972	486

Assumptions

The table below sets out the assumption used to model the impacts of the policies contained in this impact assessment.

IA Assumptions	Low	High	Source
Legal Advisers - Private sector	2,000	2,000	OISC Annual Report
Legal Advisers - Third sector	2,000	2,000	OISC Annual Report
Admin Staff Hourly wage (including on costs)	10	10	2010 Administrative staff http://www.ons.gov.uk/ons/publication/s/re-reference-tables.html?edition=tcm%3A77-200444
Senior Manager Hourly wage (including on costs)	19	19	2010 Senior manager - http://www.ons.gov.uk/ons/publication/s/re-reference-tables.html?edition=tcm%3A77-200444
Familiarisation Time with Guidance (hrs)	0	1	Internal Assumption
Median earnings ODW per annum (gross)	8,688	8,688	2010 data domestic workers http://www.ons.gov.uk/ons/publication/s/re-reference-tables.html?edition=tcm%3A77-200444
Employment rate dependants	45%	45%	LFS 2010, employment rate for all dependants across PBS
Employment rate Main applicant	100%	100%	assumption due to condition of entry
% of ODW dependants who are adults	57%	57%	UKBA MI 2008-2010
On Costs (NI)	21%	21%	BIS Guidance

Volume Modelling assumptions	Value		Source
Int Agreement - ODW	63%	63%	UKBA MI data Q3 2010 - Q2 2011
Int Agreement – GATS/FTA (estimate)	22%		UKBA MI data Q3 2010 - Q2 2011
Int Agreement - non ODW not employed by embassies Salary	26,000.00	26,000.00	Weighted average of SOC code based upon COS data and ASHE Data
Int Agreement - Visa granted <12 months	21%		UKBA MI data Q3 2010 - Q2 2011
Int Agreement - change in length of stay	6 Months	18 Months	Internal Assumption
% reduction in ODW as result of strengthening entry reqs to reduce exploitation	10%	30%	Internal Assumption
Dependants - Domestic Worker Other	91%	91%	UKBA MI data Q3 2010 - Q2 2011
Dependants - Domestic Worker Visitor	9%	9%	UKBA MI data Q3 2010 - Q2 2011
Domestic Worker visitor visa granted < 12 months	100%	100%	UKBA MI data Q3 2010 - Q2 2011
Domestic worker visitor visa granted < 6 months	97%	97%	UKBA MI data Q3 2010 - Q2 2011
Domestic worker other visa granted < 12 months	99%	99%	UKBA MI data Q3 2010 - Q2 2011
Displacement assumption	0%		Internal assumption pending the Government's consideration of the implications of the MAC's report on impacts of migration (January 2012)
% of ODW group who are visitor category	87%	87%	UKBA MI data Q3 2010 - Q2 2011
Education Participation rate (16-18)	68%	68%	From DfE

Annex 4

Impact on Public Services – Healthcare, Education, Criminal Justice System and Welfare

The presence of migrants in the UK places additional pressure on the provision of public services in the UK. We have attempted to quantify the impacts of a reduction in migrants as a result of the policy proposals set out in this impact assessment on healthcare, education and the criminal justice system. The estimated savings are shown below.

Table A4.1 – Estimated savings from reduced public service provision

10 Year NPV - £m			
£m	Low	Central	High
Health	£113	£119	£126
Education	£12	£12	£13
Criminal Justice	£15	£16	£17

Health

In general, lower levels of migrants entering and settling in the UK might be expected to reduce the total demand for healthcare, although the extent will depend on the characteristics of migrants arriving, and those prevented from arriving. Individuals can have very differing healthcare needs – the old and the very young for example have, on average, high costs, while working age adults have much lower costs.

Those applying to come to the UK in 2010/11 are distributed by age in the following table. We assume that this age breakdown holds over time.

Table A4.2 – Breakdown of migrants by type and age breakdown

Age	under 5	5 to 15	16 to 44	45 to 64	65 to 74	75 to 84	over 84
ODW Dependants	8%	21%	59%	11%	0%	1%	0%
ODW Visitor	0%	0%	68%	31%	0%	0%	0%
ODW Other	0%	0%	74%	26%	0%	0%	0%
Tier 5 International Ag.	0%	0%	83%	16%	1%	0%	0%
Tier 5 International Ag.Deps	8%	21%	59%	11%	0%	1%	0%

Source – UKBA Management Information Q2 2010 – Q1 2011

To estimate the effect of the policies contained in option 2 on health care costs we inflate Hospital and Community Health Services (HCHS) per capita expenditure by age (1999-00, England)¹³ by the increase in overall HCHS expenditure in England, and we assume that these per capita costs stay constant over the reference period. The figures we derive are as follows:

Table A4.3 – Expenditure on Healthcare by age (£)

under 5	1,913
5 to 15	446
16 to 44	790
45 to 64	1,107
65 to 74	2,287
75 to 84	4,057
over 84	6,360

We have assumed that the majority of migrants in the ODW route stay in the UK for the length of their visa and those who are granted extensions stay for a further 12 months per extension. Further analysis of the migrant journey analysis dataset suggests that 21% of ODW accompanying Tier 1 or 2 migrants and 30% of ODW in diplomatic households settle after five

¹³ See: http://www.ohe.org/page/knowledge/schools/appendix/nhs_cost.cfm

years. Those settling are assumed to incur healthcare costs in each future year. The table below gives the estimated volume of migrants affected in each year of the IA under the central impact assumptions.

Table A5.3 – Estimated cumulative volumes no longer requiring healthcare under option 2 proposals

Year	2	3	4	5	6	7	8	9	10
ODW Dependants	300	500	600	700	700	800	900	1,000	1,000
ODW Visitors	3,600	4,500	5,300	6,100	6,800	7,400	7,800	8,200	8,500
ODW Other	2,100	3,900	4,900	5,700	6,400	7,300	8,100	8,600	9,100
Tier 5 - ODW Diplomatic	0	0	0	0	0	100	100	200	200

We have used the volumes figures outlined above combined with the HCHS costs to calculate the estimated reduction in healthcare costs resulting from a decrease in migrants. Where the age bands do not compute with the healthcare ranges we have assumed that ages are equally distributed within the bands. We estimate that reducing the volume of spouses and family migrants entering the UK will save £119m (NPV) in healthcare costs over the period assessed in the impact assessment.

Education

The policy proposals are expected to affect public and private schools through a reduction in the number of family migrants and their dependants who will require education in the UK.

Increasing the robustness pre entry requirements may result in fewer pupils, and a lower proportion with English as an Additional Language (EAL)¹⁴ than would otherwise have been the case; this may help ease delivery and funding pressures.

We have estimated that reducing the volumes entering through the ODW route could lower education spending by £12m (NPV) over ten years. This assumes that 21% of ODW dependants, are aged between 5 and 16 and a further 14% are aged between 16 and 18. We have taken ageing into account and constructed an estimate of children moving through the schooling system. On advice from the Department of Education (DfE), we have assumed a participation rate of 100% for children aged 5 – 15 and 67% for children aged 16-18.

The cost per year per pupil is expected to be £5,310; this is based on DfE's published revenue funding per school pupil 2010/11 plan for pupils aged 3 to 19.¹⁵ This amount does not include capital spending and is the best available estimate of the variable costs associated with education. We have assumed that the unit funding will stay constant during the reference period. However the spending review announced that unit funding will need to fall and therefore the cost savings are overestimated in this respect, but it is uncertain by how much. Schools and colleges may have already committed most of the resources allocated to them in advance of the start of the academic year (on staffing contracts for example) so resource savings in the first and second year may be limited. For this reason we have introduced a time lag of one year for effects to be realised after policy implementation.

We have assumed that children of ODWs mainly attend state schools. Over time, 7% of children in the UK attend private and independent schools. We have assumed this holds for children of ODWs. Costs at independent schools and higher education institutions may differ, and revenue may be lost at independent schools.

The participation age will rise to 17 in 2013 and to 18 in 2015; the figures in this IA do not consider the impact of this change and will therefore underestimate the benefits in this respect. The IA has also assumed the current participation rate for those aged between 16 and 18 will

¹⁴ Note that not all migrant pupils have EAL and not all pupils with EAL are migrants.

¹⁵ (<http://www.education.gov.uk/rsgateway/DB/TIM/m002012/NSRStatsJuneGDP140809.xls>)

remain constant, but this may be subject to change over time. Schools and colleges may also counter the effect of fewer migrant students by recruiting more UK or EU students, aged over sixteen. This would lower the estimated cost savings of the policy.

Criminal Justice System

Reducing the volume of people entering the UK and being allowed to remain here could lead to reductions in expenditure on the criminal justice system. We have used data from the Offending Crime and Justice Survey 2006¹⁶ and the Offending Crime and Justice Survey 2003¹⁷, to estimate the likelihood that an individual of a certain age would commit a crime by crime type.

Neither the police or the criminal justice sector record activity by nationality or migrant status. Thus we have assumed that the propensity of non-EU migrants entering under the family route to commit crime is the same as that of British nationals of the same age group.

We used 2006 criminal justice costs by crime type¹⁸ inflated to 2011 prices and the propensity to commit crime to obtain the estimates shown below for the annual cost of crime per person dependant on age.

Table A5.4 – The annual unit criminal justice costs of crime by age.

Age Band	Unit Cost Per Annum
10-15	£251
16-23	£283
23-45	£74

We estimate that reducing the volume of migrants through the proposals outlined in this impact assessment, and taking expected length of stay into account, could result in savings to the criminal justice system of £16m (NPV) over four years.

Welfare savings

Gaining settlement in the UK gives migrants a number of entitlements. One of these is the ability to claim welfare benefits from DWP and HMRC. Reducing the volume of people eligible to claim these benefits, through reducing the volume of people entering the UK, equates to a saving to the UK government. Reducing those eligible by changing how people move into settlement once they already in the UK equates to a saving to the UK government and a corresponding cost to the migrant. We have attempted to quantify the value of these savings. We recognise that these estimates are very uncertain but they give an indication of the scale of the possible benefits.

Estimating the total impact is a complicated calculation. It depends upon the modelled flow of migrants through the immigration system relative to the current position, what proportion of these will claim benefits and for what duration. Furthermore, benefits in the UK are usually distributed in combinations depending on earnings, family size etc.

The policies assessed in this IA will have a number of effects on those eligible to claim welfare benefits. Removing settlement rights from those coming as an ODW will reduce the volumes eligible to claim after they have reached the settlement stage.

The estimated volumes affected are the given in table A5.5. Impacts accrue from year 6 as ODWs are required to work in the UK for five years before they can apply for settlement.

¹⁶ <http://rds.homeoffice.gov.uk/rds/pdfs08/hosb0908.pdf>

¹⁷ <http://rds.homeoffice.gov.uk/rds/pdfs05/hors275.pdf>

¹⁸ <http://rds.homeoffice.gov.uk/rds/pdfs05/rdsolr3005.pdf>

Table A5.5 – Annual volumes no longer eligible to receive welfare benefits

Settlement	Year 6	Year 7	Year 8	Year 9	Year 10
ODW Visitor	200	300	300	400	400
ODW Other	200	500	500	500	500
ODW Diplomat	0	0	0	0	0
Total	400	800	800	900	900

DWP and HMRC do not record migrant status or nationality for benefits claimants. Therefore proxies are used to estimate the take up rate for the categories of benefit units. For economic migrants, we estimate the take-up rates of the main applicant as they are the head of the benefit unit. The take-up rates take the whole of the benefit unit into account, so estimates are not generated for dependants.

A benefit unit is defined as an adult plus their spouse (even if not married) plus any dependant children.

The percentage of the UK population who take up benefits – by benefit unit.

We have used several sources to build a range around the volume of benefit units likely to take up benefits:

- *Minimum of range – Labour Force Survey*

The Labour Force Survey typically underestimates the take up of benefits; hence this has used this as the minimum possible impacts. The LFS was used to identify migrants who had come to the UK for the purpose of work more than five years ago and thus are now eligible to claim benefits. Four quarters of data was used to ensure sufficient sample sizes.

- *Maximum of range - The percentage of migrants who claimed out-of-work benefits within 6 months of registering for a National Insurance Number (NINo)*

This data is collected by DWP¹⁹, but is limited in that not all migrants who claim benefits register for NINos and of those who do, many are likely to claim benefits after 6 months. This is used to proxy take up rates for out of work benefits such as Job Seekers Allowance (JSA).

- *Maximum of range – The proportion of benefit units who claim other benefits adjusted for the age of migrants entering as ODW.*

DWP²⁰ collect and publish data based on the proportion of benefit units claiming each type of benefit by age and type of unit. We have used data on the age of each benefit unit adjusted for the age of migrants prevented from settling in the UK to estimate the impact of ODWs not being able to settle.

Benefit Amounts

Assumptions around the likely amounts of support provided were either taken from publicly available figures or provided by other government departments (Department for Work and Pensions, HM Revenue and Customs, Communities and Local Government and Department of Health). We have used average figures despite some benefits being determined by individual circumstances. This implies that migrants have the same characteristics as the rest of the population.

The estimated figures only take into account the amount spent on income based job seekers allowance, income support, employment support allowance (ESA), tax credits, housing benefit, council tax benefit, child benefits (child benefit and child tax credit), disability living allowance, carers allowance and attendance allowance. This estimate does not include various other

¹⁹ See: http://www.dwp.gov.uk/asd/asd1/tabtools/nino_alloc_summ_tables_may09.xls

²⁰ See: http://www.dwp.gov.uk/asd/asd1/tabtools/nino_alloc_summ_tables_may09.xls

benefits such as social housing and homelessness assistance, access to Higher Education at the home rate and any wider social impacts.

The table below sets out the benefit amounts and the estimated take-up which have been applied to the volumes of those no longer eligible.

Table A5.6 – benefit amounts and estimated take up by benefit unit.

	Amount per week	Annual amount	Proportions		
			Min	Max	Details
Jobseeker's Allowance	£64.17 (May 11) ²¹	£3,210	1.2%	4.6%	Minimum: Based on LFS 2010 Q1 - Q4. Surveys migrants who have come to the UK to work more than five years ago - to proxy for ability to claim benefits. Maximum: Based on proportion of NI No registrations to adult overseas nationals entering the UK and claiming out of work benefits
Income support	£84.88 (May 11)	£4,279	2.4%	4.6%	
Employment Support Allowance	£78.11 (May 11)	£3,845	0.2%	4.6%	
Housing benefit	£86.98 (Nov 11) ²²	£4,533	5.7%	11.0%	
Attendance Allowance	£63.08 (May 11)	£3,180	0.1%	0.0%	Minimum: Based on LFS 2010 Q1 - Q4. Surveys migrants who have come to the UK to work more than five years ago - to proxy for ability to claim benefits. These migrants are likely to be head of household, thus figures are comparable with maximum.
Carer's allowance	£55.55 (May 11)	£2,797	0.3%	1.2%	
Disability living allowance	£74.08 (May 11)	£3,736	2.5%	5.0%	
Council tax benefit	£15.70 (Nov 11)	£820	5.8%	12.5%	
Child tax credit			18.6%	21.4%	Maximum: Based on proportion of benefit units in the UK who claim housing benefits, adjusted for age of benefit units and age of ODW migrants.
Working tax credit		£3,151.00	6.0%	8.3%	
Social fund payment		£1,228.00			
Child benefit		£1,500	17.4%	32.5%	

The table below sets out the expected savings from reducing the volume of people who are eligible to claim welfare benefits. **Please note: there is a high degree of uncertainty around these estimates.**

²¹ <http://83.244.183.180/100pc/tabtool.html>

²² <http://research.dwp.gov.uk/asd/index.php?page=hbctb>

Table A5.7 – Estimated reductions in welfare expenditure

Settlement	Low - 10 Year NPV £m	High - 10 Year NPV £m
ODW Private Households	£6.8	£24.1
ODW Diplomatic households	£0.4	£1.5
Total	£7.2	£25.6

Note - the minimum figure assumes that the average support duration for the various types is 6 months, the maximum assumes 1 year.

The estimates presented in this impact assessment do not take account of the universal credit proposals as the impact on entitlements to migrants is not yet clear.

Universal Credit is expected to be open to new claims in October 2013, with individuals being migrated over from the existing income-related benefits over the subsequent four years. A majority of households will be entitled to higher entitlements under Universal Credit, with 85% of gains going to those in the bottom two quintiles of the income distribution. Whilst some households will have lower entitlements under Universal Credit, it is important to recognise that transitional protection will ensure there are no cash losers at the point of change. Overall, it is estimated that benefit expenditure will be around £2.6bn higher once Universal Credit is fully implemented. This estimate includes an increase of £2bn due to changes in entitlement rules and totals around £2.6bn after accounting for increased take-up. Offsetting this, it is estimated that there will be savings of around £2bn due to reduced fraud, error and overpayments together with changes to the earnings disregards that currently exist in tax credits.

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