



Home Office

Home Secretary

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Professor Alan Manning  
Chair, Migration Advisory Committee  
1<sup>st</sup> Floor, Peel Building  
2 Marsham Street  
London SW1P 4DF

3 September 2019

Dear Professor Manning,

The Migration Advisory Committee (MAC) plays an important role in development of immigration policy and I am very grateful for its continued support and the thoroughness and rigour of the MAC's approach. I look forward to meeting you shortly to discuss the Committee and its functions.

The British public have been clear that they want an immigration system that takes back control of our borders while welcoming aspirational and hard-working people to enhance the UK's dynamic labour market and diverse society. This government is working on making that a reality.

On 24 June 2019, the then Home Secretary commissioned the MAC to consider salary thresholds in the context of the future immigration system. Today, I am asking the MAC, as part of their current work on future potential salary thresholds, to conduct a review of the Australian immigration system and similar systems to advise on what best practice can be used to strengthen the UK labour market and attract the best and brightest from around the world.

In setting out this Government's vision of our future immigration system, the Prime Minister and I have been clear that we strongly believe in the benefits of migration. When it is managed, migration works in the national interest, for our communities, economy and country.

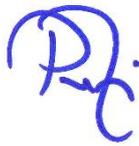
We are seizing the once in a lifetime opportunity of our exit from the European Union and the end of Freedom of Movement. In future, we will replace the current dual system – which admits highly skilled workers from outside the EU and workers of all skill levels from within the EU – with a single, skills-based system that welcomes to the UK the people who will contribute, but that enables us to control migration.

My vision is to have an immigration system that people can have confidence in. A system where it is workers' skills and talents that matter and not where they come from. A system which is simpler, smarter and built for the needs of the 21st Century.

This revised commission reflects the Government's vision and overarching principles of the future UK immigration system: that it must be fair to those in the UK and those coming here; and allow for full control over our borders and immigration to the UK. Delivering on the promise to introduce an Australian-style points-based system is part of our approach to improving public confidence in our immigration system whilst allowing us to welcome talented and skilled individuals from all over the world.

The MAC is asked to report by January 2020.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'P. Patel', written in a cursive style.

**Rt Hon Priti Patel MP**

## **Supplementary instruction to the commission to the Migration Advisory Committee**

On 24 June 2019, the Migration Advisory Committee (MAC) was commissioned by the then Home Secretary to consider the issue of salary thresholds in the context of the future immigration system.

This revised commission reflects the Prime Minister's overarching principles of the future UK immigration system: that any new system must be fair to those here and those coming in the future; provide greater control over the movement of people coming to the UK, and that those arriving should contribute to the clear requirements of the UK. The Government recognises the effectiveness of other systems, including the points-based system used by the Australian Government, in helping to create a labour market which will deliver the necessary skills and needs of the UK economy after we leave the European Union.

The Government would therefore like the MAC, as part of their current work, additionally to consider:

- How additional flexibility could be added to the operation of salary thresholds through the awarding of "points" to prospective migrants for the attributes that they possess, such as their educational qualifications, language proficiency, work experience, willingness to work in particular areas and occupation; and the degree to which points in one area should be "tradeable" to make up for a lack of points in another.
- Which migrant characteristics should be prioritised within the immigration system in order to produce the most beneficial outcomes for the UK.
- What best practice can be learnt from international comparators, including the Australian immigration system, to strengthen the UK labour market.

The MAC is asked to report by January 2020.

## 24 June 2019 - Commission to the Migration Advisory Committee

The Government has noted that the Migration Advisory Committee (MAC) has previously advised that the future immigration system should incorporate minimum salary thresholds<sup>1</sup>. We also note their recommendation that the existing salary thresholds should be retained and that they have previously recommended against introducing regional salary thresholds<sup>2</sup>.

In the immigration white paper, 'The UK's future skills-based immigration system', the government agreed to the principle that minimum salary thresholds should be retained for the new skilled worker route. The salary thresholds should help control migration, ensuring that it is reduced to sustainable levels, whilst ensuring we can attract the talented people we need for the UK to continue to prosper. Salary thresholds should also see skilled migrants continue to make a positive contribution to public finances.

The Government is committed to engaging extensively over the course of this year before confirming the level of the minimum salary thresholds. As part of this engagement, the MAC is now asked to advise on a number of issues concerning potential future thresholds and the range at which they could be set.

### 1. The mechanism for calculating future salary thresholds

We would like the MAC to consider whether this should be:

- i. a single minimum salary threshold, potentially with some flexibilities to set a lower rate
- ii. the current arrangement of a combination of a minimum salary threshold and a "going rate"<sup>3</sup>
- iii. an approach which focuses only on the "going rate" for a particular role

The MAC should consider how responsive each mechanism would be to changing market conditions, how it would affect population demographics and how this method of calculation would fit within the wider immigration system.

### 2. Salary threshold levels

In addition, the MAC is requested to review where minimum salary thresholds and/or "going rates" should be set in the future immigration system. The MAC should advise what impact salary thresholds will have on the following:

- i. annual net migration (as per the government's objective for reducing net migration to sustainable levels)
- ii. the resident workforce, their wages, training productivity and overall labour market flexibility
- iii. migrant workers

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<sup>1</sup> Migration Advisory Committee, Review of Tier 2, Analysis of Salary Thresholds, July 2015.

<sup>2</sup> Migration Advisory Committee, EEA Migration in the UK: Final report, September 2018.

<sup>3</sup> The "going rate" is currently calculated as the 25th percentile salary for an occupation. This is calculated using the Office for National Statistics Annual Survey of Hours and Earnings.

- iv. employers', the supply of labour and the labour market's ability to adjust, including impacts by sector and occupation where appropriate, and the impact on emerging industries
- v. the short, medium and long-term effects on public finances
- vi. the short, medium and long-term effects on the economy

The MAC is also asked to advise on the appropriate salary thresholds for those seeking to settle in the United Kingdom.

### **3. Regional salary thresholds**

The government accepts that median salaries and local labour markets vary throughout the United Kingdom. However, immigration is and will remain a reserved matter. We also believe that the immigration system must serve the best interests of the whole of the United Kingdom and that coherence is needed to enable businesses to transfer migrant workers throughout all parts of the UK. The MAC should therefore consider whether the conclusions they reach in relation to levels of salary thresholds are applicable to the whole of the United Kingdom or whether there is a need for greater regional variation.

### **4. Exceptions to salary thresholds**

In light of their findings on salary thresholds the MAC is asked to further advise on the impact of exemptions from minimum salary thresholds. This includes:

- i. whether inclusion on a Shortage Occupation List should qualify occupations for lower thresholds (including in relation to settlement)
- ii. what impact salary thresholds might have on sectors that provide high public value to society and the economy but which might not necessarily pay as high wages
- iii. what exceptions should exist for new entrants to an occupation and the length of time that such exceptions should be in place for any individual before we can expect them to meet an experienced worker threshold
- iv. the role of further expanding the scope for non-cash remuneration to count towards salary thresholds, including equity shares and benefits in kind such as accommodation and transport
- v. whether part-time workers should benefit from a pro-rata salary threshold

The MAC is asked to report by January 2020.