



MIGRATION ADVISORY COMMITTEE

# A Points-Based System and Salary Thresholds for Immigration: Annexes



January 2020

Migration Advisory Committee

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# **A Points-Based System and Salary Thresholds for Immigration**

**Migration Advisory Committee**

**January 2020**

**Annexes**

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## Annex A: Commission

### 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)

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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.

- ii. the resident workforce, their wages, training productivity and overall labour market flexibility
- iii. migrant workers
- 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.

### **3 September 2019 - 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.

## Annex B: List of organisations met

The MAC met with the following organisations:

- Relevant representatives of the governments of Austria, Australia, Canada and New Zealand
- Nine Government departments
- All devolved administrations
  - Wales roundtable meetings with cross sector representatives
  - Northern Ireland roundtable meetings with cross sector representatives
  - Scotland roundtable meetings with cross sector representatives
- Four Advisory groups with stakeholders representing national, education, employer and vulnerability interests and meetings with stakeholders including:
  - The Royal Society of Chemistry
  - Cavendish coalition: representing social care & healthcare professionals
  - Make UK: representing the manufacturing industry
  - The British Chambers of Commerce: representing business
  - The Federation of Small Businesses: representing SMEs
  - Fragomen: a roundtable with representatives from large international businesses
  - EY: a roundtable with representatives from fintech, finance and technology sectors
  - London First: representing London businesses
  - The Russell Group: representing some of the higher education sector
  - REC: a roundtable with representatives from recruitment and HR sectors

## Annex C: Detail of international points-based systems

### Mechanics of each system

#### Australia

C.1 In Australia, there are three main permanent skilled migration streams, containing various visa types within them:

##### A. Skilled independent and nominated

- State & territory nominated\*
- Skilled independent\*
- Skilled work regional\*
- Global talent
- Distinguished talent

##### B. Employer sponsored

- Employer nominated
- Skilled employer sponsored regional

##### C. Business innovation and Investment

- Business innovation\*
- Significant business history
- Entrepreneur
- Venture capital entrepreneur
- Investor\*
- Significant investor
- Premium investor

\*points-test required

C.2 The PBS routes are mainly supply driven: that is, the applicants are the prospective migrants themselves rather than their employers. Individuals complete expressions of interest (EOI) themselves, whereas the employer sponsored routes are demand driven by employers recruiting migrant workers. The balance of candidates gaining permanent visas through these two different routes has changed over time, and recently there has been a shift in policy towards favouring the employer sponsored routes. There are also various other routes, such as temporary visas with work rights, including the Temporary Skill Shortage visa which is uncapped.

C.3 The 'Skilled Independent' visa is a points-tested visa which offers a route to permanent residency without sponsorship/nomination by an employer, state or territory

government or family member. Interested applicants first submit an EOI online and invitations to apply for a visa are issued to the highest ranked EOIs.

- C.4 A candidate must earn a minimum of 65 points (out of a possible 130 points) to be invited to apply for the ‘Skilled Independent’ visa, although more points may be needed as only the highest ranked candidates are invited to apply (see Table C.4 at the end of this annex). For example, in June 2019 the minimum points required to receive an invitation to apply was 85 points<sup>4</sup>.
- C.5 The SkillSelect System<sup>5</sup> is used by applicants wishing to migrate to Australia to complete an EOI online (excluding employer sponsored visa applicants). These are valid for two years and can be updated at any time. Incomplete applications are also stored for two years, however are not eligible to receive an invitation to apply for the relevant visa. Applications are removed from SkillSelect if applicants receive two invitations and do not lodge a visa application in response.
- C.6 During the invitation rounds<sup>6</sup>, there are a limited number of invitations for each visa route. In the latest round (11 December 2019), there were 250 skilled independent visa invitations available and 250 available through the skilled work regional (provisional) visa stream – family sponsored stream, both requiring a minimum of 95 points on the points-test.
- C.7 Each occupation, sorted by an occupation ID (which are like the UK’s SOC codes), has a yearly limit. These ‘ceilings’ are based on a percentage of the number of people employed in Australia in that occupation.
- C.8 Other visas, such as the ‘Skilled Nominated’ and the ‘Skilled Work Regional (Provisional)’ visas also use a points-test. The number of available visas is set by the Australian Government through migration planning levels, which allocate nomination numbers to each state and territory. Applicants are subject to the state/territory migration plans who set targets on the number of visas they wish to nominate for each occupation and target specific skill shortages.

## Canada

- C.9 The Express Entry system<sup>7</sup>, is a recent development in the Canadian PBS and manages applications for permanent residence for four different immigration programs:

- Federal Skilled Worker Program (FSWP) which is points-based

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<sup>4</sup> <https://migrationobservatory.ox.ac.uk/resources/reports/the-australian-points-based-system-what-is-it-and-what-would-its-impact-be-in-the-uk/>

<sup>5</sup> <https://immi.homeaffairs.gov.au/visas/working-in-australia/skillselect>

<sup>6</sup> <https://immi.homeaffairs.gov.au/visas/working-in-australia/skillselect/invitation-rounds>

<sup>7</sup> <https://www.canada.ca/en/immigration-refugees-citizenship/services/immigrate-canada/express-entry/eligibility/compare.html>

- Federal Skilled Trades Program
- Canadian Experience Class (CEC)
- Provincial/territorial nominee (PNP)

C.10 This is part of a wider system that also includes a Temporary Foreign Worker (TFW) route and the International Mobility Program (IMP), which are not subject to a points-test, unless an individual wishes to make an application for a permanent visa listed above.

C.11 Most temporary worker migration routes have opportunities for permanent residence if successful. The Federal Skilled Worker Program, which predates Express Entry, uses a points-based test of human capital factors (language proficiency, education, skilled work experience). A total of 67 points (out of 100 points) are required to be eligible, and to be entered in the express entry candidate pool – see Table C.5 for the full selection criteria. The other routes feed into the express entry pool without a points-test, however, they do need to meet specific minimum requirements for each program. For example, the Federal Skilled Trade Worker route is subject to assessment/training requirements (depending on which province/territory the applicant has applied for).

C.12 Once admitted into the express entry pool, applicants who rank highly enough on the Comprehensive Ranking System<sup>8</sup> (CRS) – the points-test used to rank individuals EOI's – are then invited to apply for permanent residence. These invitations are valid for 60 days. There are 1,200 points available in the system, split into four categories based on what they are assessed on:

- Core/human capital
- Spouse or common-law partner (maximum of 500 points combined with A.)
- Skill transferability (maximum of 100 points)
- Additional points (maximum of 600 points)

The full CRS criteria can be found in Table C.6.

C.13 In the latest round of invitations<sup>9</sup> (20<sup>th</sup> August 2019), 3,600 invitations have been issued (applicants must be ranked among the first 3,600 eligible foreign nationals in general ranking for an invitation). The lowest score on the CRS invited was 457. In event of a CRS tie, the cut-off is set by submission date and time.

C.14 In 2018<sup>10</sup>, the CRS cut-off score per round ranged from 439 to 456, with the total number of invitations received standing at 89,800, an increase on 2017. The largest

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<sup>8</sup> <https://www.canada.ca/en/immigration-refugees-citizenship/services/immigrate-canada/express-entry/eligibility/criteria-comprehensive-ranking-system/grid.html>

<sup>9</sup> <https://www.canada.ca/en/immigration-refugees-citizenship/services/immigrate-canada/express-entry/submit-profile/rounds-invitations.html>

<sup>10</sup> <https://www.canada.ca/content/dam/ircc/documents/pdf/english/pub/express-entry-year-end-report-2018.pdf>

program through the express entry pool was the federal skilled workers program (at 53 per cent), with the CEC second (at 34 per cent).

## New Zealand

- C.15 Most work migrants enter New Zealand on temporary visas and permanent migration mainly draws from the pool of temporary migrants already in the country. A points-test is used to process the admissions of permanent labour migrants. The skilled migrant category visa is the most used visa for permanent workers, at around 47 per cent of permanent migrants entering New Zealand under this visa<sup>11</sup> in 2018.
- C.16 The essential skills visa is a temporary visa which lies outside the New Zealand PBS. This visa requires an offer of employment and is subject to a labour market test. The length of stay depends on the skill band of the employment offered, how long the term of employment is that has been offered and whether the employer is an accredited labour hire company.
- C.17 Other skilled visas in the country which have pathways to permanent residency are: the 'Long-term Skill Shortage List' visa (LTSSL) and the 'Talent (Accredited Employers)' visa. Each of which has separate work temporary and resident components.
- C.18 The Skilled Migrant Category visa is the most used visa for permanent workers. As in Canada and Australia, applicants must first submit an Expression of Interest (EOI) in order to be entered into the pool. Based on the information provided in their EOI, applicants are allocated points based on certain criteria. You need a minimum of 100 points to be eligible to put in an EOI.
- C.19 Periodically throughout the year draws are made from the EOI pool. Applicants with 160 points or more are automatically selected. If places are still available, those with between 100 and 160 points may also be drawn from the EOI pool. In theory, this automatic selection threshold of 160 points could fluctuate based on economic factors and skill shortages in New Zealand.
- C.20 Applicants who are drawn from the EOI pool have an initial assessment completed by an Immigration Officer after which they may be sent an 'Invitation to Apply' (ITA) from which the applicant may then make an application for residency within four months. While applicants may have successfully qualified with enough points to be invited to apply, to be ultimately successful they must demonstrate their *"ability to successfully settle and contribute to New Zealand"*.
- C.21 This is automatically met by having a skilled job, or job offer in New Zealand, or having studied in New Zealand for at least two years and being awarded a doctorate, or

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<sup>11</sup> <https://www.immigration.govt.nz/documents/statistics/statistics-residence-applications-accepted>

masters degree. Applicants who cannot meet one of these options are interviewed to determine whether they can successfully settle and contribute.

- C.22 It is worth noting that New Zealand have made some reforms to their system of immigration. The changes will mean fewer candidates will gain residence immediately in the country. Temporary visas such as the Essential Skills Visa will allow migrants to stay for three years, with a view to migrants accumulating experience and, therefore, points in New Zealand during this time to qualify for residency should an individual wish to apply.
- C.23 Offers of employment will be a requirement for candidates as a part of these changes. There is a shift from an occupation focus for migrants entering the country and the determinant of whether a candidate has a route to residence will be the national median salary. Those in employment on a temporary visa earning above the median salary will be have a route to residency, those below have a three-year limit.
- C.24 This is a step away from a pure, supply driven PBS as candidates will require an offer of employment. Employers have now become the customers for the New Zealand government, not the individual.

## **Austria**

- C.25 Austria's immigration system underwent an overhaul in 2011, with the introduction of the Red-White-Red card (RWR-card). During the 2000s, there was a quota system in place. The levels of allowed non-EU/EFTA (European Free Trade Association) migrants was capped at 10 per cent of the total flow of immigration, before being reduced to 9 per cent and later 8 per cent. The rationale being to protect the domestic labour market against a growing number of migrant workers. As a result, the flow of skilled migrant workers from non-EU/EFTA into the country was very low, at around 600 workers per year<sup>12</sup>.
- C.26 The opening of the RWR-card PBS was designed to increase the numbers of skilled migrants entering Austria from non-EU/EFTA countries, with a view to addressing future labour market shortages. This is the main work-related migration route into the country, using three main tiers: a highly skilled tier, a skilled tier in shortage occupations, and a labour market tested tier in the medium to highly skilled range with a salary threshold.
- C.27 The RWR-Card includes elements of both demand and supply driven systems to grant access based on an offer of employment from an Austrian employer and an applicant's eligibility according to the requirements of the domestic labour market. There is also a

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<sup>12</sup> [https://www.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-austria-2014\\_9789264226050-en](https://www.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-austria-2014_9789264226050-en)

six-month visa available for jobseeker migrants who are eligible for the highly skilled tier. This allows migrants to look for employment prior to applying for the RWR-card.

- C.28 All routes with work rights except the Self-Employed Key Workers and Graduates use the PBS, and some of the categories use salary thresholds within the PBS to assign points based on salary. Austria also uses the EU Blue Card scheme.
- C.29 The Austrian system is like the UK system, in that it requires candidates to hold an offer of employment with a domestic employer and there is no immediate right to permanent residence.
- C.30 Points are allocated based on formal qualifications, age, language skills and work experience. There is also a six-month visa available for jobseeker migrants who are eligible for the highly skilled tier. An RWR-Card lasts for 24 months, after which migrants can apply for an RWR Card Plus to get unlimited access to the labour market via permanent residency.
- C.31 Under the RWR-Card system there are six categories of permanent migrants:
- Very Highly Qualified Workers;
  - Skilled Workers in Shortage Occupations;
  - Other Key Workers;
  - Graduates;
  - Self-Employed Key Workers; and
  - Start-Up founders.
- C.32 Each of these categories has a minimum monthly disposable income requirement of €966.65 for single applicants, €1,472.00 for couples and €145 for each additional child per month. These thresholds are intended to make sure that migrant workers can cover their living costs without having to resort to welfare. All these categories except for 'self-employed key workers' and 'graduates' use the PBS, and some of the categories use salary thresholds to assign points based on salary.
- C.33 The 'very highly qualified worker' category requires a minimum of 70 points (out of a maximum of 100) to receive the relevant visa, this is shown in Table C.8. This is either a six-month job-seeker visa if the applicant does not have a job offer, or a Red White Red Card if they do. Points are awarded for qualifications, age and language skills as well as salary levels. Only 65 points are required if the applicant has a job offer or training in a list of exempt occupations (such as graduates in power engineering, mechanical engineering and business administration). This list is updated annually.
- C.34 The 'skilled workers in shortage occupations' category also uses the points-test but does not use salary thresholds as part of the criteria. Applicants must get 55 points out of a total of 90 as well as having training/a job offer in a shortage occupation. Such occupations may be in shortage at either the national or regional level which influences

the availability of this visa in certain areas. This visa is valid for a maximum of two years.

- C.35 Applicants under the ‘other key worker’ route must meet a minimum of 55 out of 90 points based on criteria such as age, language skills and qualifications. Income does not factor into the PBS for this route. However, in 2019, applicants’ earnings must be higher than €37,600 (approximately £34,400) if they are over 30 years of age or €31,300 (approximately £28,700) otherwise. If no qualified applicant is found at the ‘public employment service’ and an applicant meets all these criteria under the ‘other key workers’ route, they may be granted an RWR Card for two years.

### **Skill verification/assessment**

- C.36 One challenge that points systems face is that with such a heavy weight placed on educational qualifications, it is important to know whether qualifications obtained abroad are likely to be valued in the destination country labour market. In employer sponsored routes such as the UK’s Tier 2 (General) system, this is less necessary as it is assumed that employers will assess applicants’ skills as part of the recruitment process.
- C.37 Australia, Canada and New Zealand all require candidates to undergo a formal ‘skills assessment’ as part of the immigration process. These are high-level assessments of the equivalence of qualifications in different countries (e.g. whether a degree is equivalent to a post-secondary certificate, bachelors or masters), rather than assessments of, for example, the quality and reputation of the university a person attended.
- C.38 Those entering Australia through the skilled routes are subject to a skills assessment. The main purpose of which is to determine the employability of a candidate in their nominated occupation by assessing their skills and qualifications against the Australian standards for entry. Qualifications and experience related to the nominated occupation are assessed.
- C.39 In Canada, candidates applying through the Federal Skilled Worker Program must complete an educational credential assessment (ECA). The minimum requirement for education in this stream is a Canadian equivalent secondary school or post-secondary school certificate. If this is obtained in an institution outside of Canada, one of the seven third party IRCC-recognised organisations that issue an ECA must be used<sup>13</sup>. All invited candidates in ‘express entry’, if claiming points for educational qualifications, must have those qualifications independently third-party assessed.

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<sup>13</sup> <https://www.canada.ca/en/immigration-refugees-citizenship/services/immigrate-canada/express-entry/documents/education-assessed/how.html>

- C.40 In New Zealand, qualifications will be verified if they are assessed by a registration authority recognised by the Government and judged to be at the same level as a qualification on the 'List of Qualifications Exempt from Assessment'<sup>14</sup> as part of an application for New Zealand occupational registration. Educational qualifications must be recognised by the New Zealand Qualifications Authority (NZQA). They assess where the qualification lies on the New Zealand Qualifications Framework (NZQF).
- C.41 Once invited to apply, candidates need to provide: a certified copy of their qualification; evidence that the qualification was assessed as part of the occupational registration; and an International Qualifications Assessment (which verifies, assesses and compares an international qualification to a New Zealand equivalent).
- C.42 Education and qualifications in the Austrian system are assessed and verified by the Labour Market Service (Arbeitsmarktservice) under the Federal Ministry of Labour, Social Affairs, Health and Consumer Protection.

## Planning levels

- C.43 In Australia, Canada and New Zealand, the number of permanent/long-term residence grants (both through points-tested and other routes) is governed through a system of numerical ceilings/targets or 'planning levels'. Australia reduced their migration program planning levels from 190,000 places to 160,000 in the 2019/20 program year<sup>15</sup>. The 2019-20 migration program allocated 40,000 places under the employer sponsored category (this includes 10,000 out of a total of 25,000 regional places). Their migration programme is set annually, according to; consultation with federal, state and territory governments, academia, industry and community views, economic and labour market forces, international research, net migration and fiscal modelling. The total number of places within the programme is separated by visa streams.
- C.44 Canada is currently planning an increase in their targets from 330,800 in 2019 to 350,000 in 2021<sup>16</sup>. In New Zealand, a planning range of 85,000 to 95,000 resident visas was set for the period of 1<sup>st</sup> July 2016 to 30<sup>th</sup> June 2018<sup>17</sup>. Meanwhile, since 2011, Austria have placed no caps or targets on immigration<sup>18</sup>.

## Points-based system routes vs. employer sponsored routes over time

- C.45 The balance of PBS visa routes compared to other employer routes has varied across

<sup>14</sup> <https://www.immigration.govt.nz/opsmanual/#35171.htm>

<sup>15</sup> <https://www.pm.gov.au/media/plan-australias-future-population>

<sup>16</sup> <https://moving2canada.com/canada-immigration-levels-plan-2019-2021/>

<sup>17</sup> <https://www.mbie.govt.nz/dmsdocument/4577-cabinet-paper-new-zealand-residence-programme-pdf>

<sup>18</sup> [https://www.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-austria-2014\\_9789264226050-en](https://www.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-austria-2014_9789264226050-en)

countries and throughout time.

**Table C.1: Skilled Migration Stream as a Proportion of Australian Skilled Stream Immigration<sup>19</sup>**

Year of Report	Skilled Stream Total	Employer Sponsored	General Skilled Migration <sup>1</sup>	Other <sup>2</sup>
2012/13	128,973	37%	57%	5%
2013/14	128,550	37%	58%	5%
2014/15	127,774	38%	57%	5%
2015/16	128,550	38%	57%	6%
2016/17	123,567	39%	55%	6%
2017/18	111,099	32%	61%	7%

<sup>1</sup> Includes Skilled Independent, State/Territory nominated and Regional

<sup>2</sup> Includes Business Innovation and Investment program and Distinguished Talent

**C.46** The skill stream of the Australian immigration system is the largest stream, accounting for around 68 per cent of the total flow of permanent migrants (excluding humanitarian migrants) since 2013. Within this stream, the General Skilled Migration visas (all of which require candidates to pass a points-test) accounted for most visa acceptances at around 61 per cent, in 2017/18. The percentage outcome between PBS and Employer Sponsored visas in Australia has remained relatively unchanged since 2012/13 (Table C.1).

**C.47** Canada uses the Express Entry (EE) application management system for all processing in the federal programs listed above (FSWP, CEC, FSTP) and for a portion of PNP. Currently approximately 40 per cent of economic immigration is managed through Express Entry. The Federal Skilled Workers Program uses an initial points-test prior to candidates being placed into the EE pool. This route, the equivalent to the Australian Skilled Stream, has been declining as a proportion of the total Economic Class route since 2013 (Table C.2), but is now increasing again in share.

<sup>19</sup> <https://www.homeaffairs.gov.au/research-and-statistics/statistics/visa-statistics/live/migration-program>

**Table C.2: Visa Streams as a Proportion of Economic Class permanent admissions in Canada<sup>20</sup>**

Year of Report	Total Economic Class	Federal Skilled Workers <sup>1*</sup>	Canadian Experience Certificate*	Provincial Nominee Program*	Quebec Skilled & Business <sup>2*</sup>	Other visas <sup>3</sup>
2014	148,181	36%	5%	27%	23%	9%
2015	165,089	23%	14%	29%	20%	13%
2016	170,384	29%	12%	26%	17%	17%
2017	155,994	27%	11%	30%	20%	12%
2018	159,262	15%	21%	31%	19%	14%

<sup>1</sup>includes Federal Skilled trades (has an initial points-test required to be passed prior to the CRS)

<sup>2</sup>Required to pass a points-test outside of the EE pool

<sup>3</sup>includes Caregivers and Federal Business visas

\*Uses points-test with in the Express Entry pool, the CRS

- C.48** The Provincial Nominee Program (PNP) is now the largest route in the Economic Class of Canadian migration, around 50,000 applicants were invited to apply by states/provinces in 2017. Provinces set their own eligibility criteria, which usually require the applicants either to pass a points-test, or to have a job offer (or already be in temporary work) in the province.
- C.49** Provinces can also ‘dip’ into the federal EE pool and select migrants to nominate no matter how many points they have obtained on the CRS. If such an event does occur, the candidate gets an additional 600 points on their application; almost guaranteeing the candidate obtains the required amount of points to receive an invitation to apply by the IRCC.
- C.50** Quebec skilled & business workers – the separate points-tested visa for those wishing to settle in Quebec – made up 19 per cent of the Economic class into Canada. Migrants on this route are subject to eligibility tests and are not managed through the Express Entry ranking system. Eligibility under the Quebec Skilled Worker Program is similar to the federal routes but has a larger emphasis on French language proficiency<sup>7</sup>. The numbers of these admissions have been declining since 2013; most notably for 2019 and 2020 due to Quebec Government planned changes.
- C.51** Given that most of the permanent migration in New Zealand comes from onshore applications, most migrants do not initially enter the country through PBS means. Those on the skilled migrant category visa have permanent settlement rights. In 2017/18, a total of 22,800 people entered the country or switched from a temporary visa via this route at around 47 per cent of total immigration in that year.

<sup>20</sup> <https://www.canada.ca/en/immigration-refugees-citizenship/corporate/publications-manuals.html>

**Table C.3: Residence Applications Accepted (business/skilled stream) by year New Zealand <sup>8</sup>**

Year of report	Business/Skilled Stream Total	Skilled Migrant	Long Term Skill Shortage	Talent (Accredited Employers)	Other <sup>1</sup>
2012/13	26,081	23,333	313	613	1,822
2013/14	28,586	23,896	438	1,057	3,169
2014/15	31,426	26,283	493	1,199	3,451
2015/16	35,875	31,576	525	1,356	2,418
2016/17	30,644	25,638	716	1,618	2,672
2017/18	23,973	19,415	707	2,005	1,846

<sup>1</sup>Includes entrepreneurial, investor and religious visas

- C.52 When comparing the numbers acquiring residence in the country through the business/skilled stream of migration, we see the skilled migrant category is by far the biggest route at around 80 per cent of the stream in 2017/18 (Table C.3). For both the Long-term Skill Shortage and Talent (Accredited Employers) visas there is a year on year increase since 2012/13. This increase in the talent visa has been driven by the salary requirement of \$55,000 (in place from 2008) reducing relative to median earnings year on year and becoming a more realistic wage for more occupations.

### Weighting of points over time

- C.53 It is possible to change the points weightings of different aspects of a PBS in order to address different needs within a country. This is shown in the various changes to the points allocated to characteristics.

### Australia

- C.54 In Australia, significant weight is placed on previous work or study experience in the country. The maximum number of points a Skilled Independent visa candidate can obtain without this is 100. With just Australian work experience the maximum rises to 105, and with both work and study experience in the country, the maximum number of points available becomes 130.
- C.55 The highest weighted aspect of the points-test, for a skilled independent is age, regardless of previous work or study experience in Australia. Being between the ages of 25 and 33 awards a maximum of 30 points, 46 per cent of the minimum pass mark to be accepted into the SkillSelect pool.
- C.56 However, 95 points is currently required to be considered for an invitation to apply (ITA) (according to the December 2019 invitation round). Therefore, it is difficult to be invited to apply for a visa without work or study experience in Australia. Candidates would have to score the maximum points on age, language, experience overseas, and

hold a doctorate to gain 85 points, without other points such as having a partner that meets the criteria for partner skills points.

- C.57 The points-test for the general skilled migration program was updated in November 2019. Points are awarded for nomination for the Skilled nominated and Skilled work regional (provisional) visas. Points-tested investment and business visa candidates also obtain points (under a different points-test) for various attributes such as previous business activity and business experience.

## Canada

- C.58 The 67 points pass-mark in the Federal Skilled Worker Program has been in place in Canada since 2003. The maximum number of points available, 100, has been a constant since the introduction of the PBS in 1967<sup>21</sup>.
- C.59 Over time, the share of points available from human capital factors (such as language, education and work experience) has increased from 60 per cent of the pass mark in 1967, to 100 per cent post-2003. Most of this increase came from more points for language and education.
- C.60 The weighting given to labour market factors in Canada has decreased since the programme started, from 20 per cent of the pass mark in 1967 to 15 per cent in 2018, peaking in the 1986 points-test at 50 per cent of the pass mark. At this time, points were awarded for arranged employment in Canada, occupational demand and vocational preparation. In 2018 points were awarded only for arranged employment.
- C.61 During the same period, points awarded for age, personal assessment and adaptability (such as points awarded for partners immigrating with the candidate) have decreased. Starting at 60 per cent of the pass mark in 1967, now it is 33 per cent.

## New Zealand

- C.62 Since 1992/93, points awarded as a proportion of the automatic pass mark<sup>22</sup> for skilled employment increased substantially, from 12 per cent to 64 per cent in 2011/12. In the current system, it is very difficult for applicants to get to the automatic selection threshold of 160 points without gaining points for having a skilled job offer. Increases in the points awarded are also seen for work experience, qualifications and partner points. However, the weighting of points awarded for age decreased over this period, from 38 per cent of the automatic pass mark to 21 per cent.
- C.63 In 2019, the automatic pass mark was set at 160 points. The weighting of points awarded for skilled employment and work experience have decreased compared to

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<sup>21</sup> [https://www.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-canada-2019\\_4abab00d-enc](https://www.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-canada-2019_4abab00d-enc)

<sup>22</sup> [https://www.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-new-zealand-2014\\_9789264215658-en](https://www.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-new-zealand-2014_9789264215658-en)

2011/12 levels. Points awarded for education have also decreased in this time. Factors such as age and partner points, have a decreased weighting, but no equivalent decrease in the amount of points awarded, due to the increase in the automatic pass mark. For example, the number of points awarded for age is currently 30, the same as in 2011/12, however the weighting of age as a proportion of the automatic pass mark is less in 2018 due to the increase in this pass mark from 140 to 160 points.

## **Austria**

- C.64 The weighting of the various aspects in Austria's PBS has remained constant since its introduction in 2011. These specific characteristics have been determined by the Government to be the most desirable for the country and with the view that people make can make positive economic/social contributions and be highly skilled without a high salary. This is shown in the weighting that education is given on the points-test (around 57 per cent). More points are given to those below the age of 35, determined by the number of years of tax contributions that the candidate may make in the country in the long run.

## **Temporary migration**

### **Australia**

- C.65 Temporary Skill Shortage (TSS) visa is an employer sponsored visa which came into effect on 18<sup>th</sup> March 2018; the number of primary holders of that and the previous Skilled Work (Temporary) (subclass 457) visa in June 2018<sup>23</sup> was 83,470. The TSS visa is a demand driven uncapped program that allows migrants to stay for up to four years for nominated occupations listed on the Medium and Long-term Strategic Skills List (MLSSTL) or Regional Occupation List (ROL), and for up to two years for nominated occupations listed on the Short-term Skilled Occupation List (STSOL).
- C.66 The short-term stream is designed for those nominated to work in occupations on the STSOL, who have at least two years of relevant work experience and meet the required standards of English. The short-term stream also provides for a temporary stay only and does not provide a permanent migration pathway, as opposed to the medium-term stream for nominated occupations listed on the MLSSTL and ROL which does provide visa holders with an option later to move to other permanent visa options. Through the medium-term stream, applicants can stay in Australia for up to four years but must be: sponsored in an occupation on the MLSSTL or ROL; have at least two years relevant work experience; and meet the required standards of English.
- C.67 In 2017/18, there were around 210,000 Working Holiday visa grants. This number has been decreasing since 2014/15, when around 227,000 visas were granted. Applicants

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<sup>23</sup> <https://www.homeaffairs.gov.au/research-and-stats/files/temp-res-skilled-rpt-summary-30062018.pdf>

must be outside Australia at the time of applying for their first Working Holiday visa, be aged 18-30 and have no dependants accompanying them.

- C.68 The Student programme is completely supply driven; students apply themselves. Applicants must have a certificate of enrolment from an approved institution. There is no cap placed on the number of student visas granted. In the programme year of 2018/19 around 406,000 visas were granted. This number has been increasing since June 2014/15, where around 300,000 student visas were granted. An international student can work a maximum of 40 hours per fortnight during non-holiday periods (this is unlimited during holiday periods).

## Canada

- C.69 Canada has two main temporary work programmes; the Temporary Foreign Worker (TFW) and the International Mobility Programme (IMP). The former requires a labour market test called a Labour Market Impact Assessment (LMIA) to verify that there is a genuine need for temporary labour in that occupation and there are no Canadians available to fill the position. The TFW route was reformed in 2014 to be based on wage levels rather than occupational groups or skill level. 'High-wage' workers are those that earn above the median hourly provincial wage, with 'low-wage' workers earning below this median. Since 2012 the numbers of worker permit holders under the TFW programme has been decreasing, from around 215,000 in that year to approximately 79,000 in 2017<sup>24</sup>.
- C.70 The IMP includes streams that are based on Canada's reciprocal employment agreements with other countries or streams that facilitate the entry of workers who will significantly benefit the Canadian economy such as: spouses of skilled temporary workers; post graduate employment visa; and the working holiday programme. This programme does not require a labour market impact assessment be performed. Around two thirds are an open work permit, therefore are not tied to an employer, with the rest being employer specific. Since 2012, the number of work permit holders has increased under this programme from around 209,000 to 322,000 holders in 2017<sup>25</sup>, approximately 114,000 of whom held a postgraduate employment visa.
- C.71 In 2017, there were approximately 492,000 holders of international student permits; a sharp increase since 2012, when it was around 275,000. This increase coincides with a 2014 reform allowing international students to work off campus 20 hours a week during term-time and full-time out of term-time. Upon graduation, certain international

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<sup>24</sup> <https://www.canada.ca/en/immigration-refugees-citizenship/corporate/publications-manuals.html>

<sup>25</sup> International Mobility Program work permit holders with a valid permit on December 31st by program, 2008 to 2017 - IRCC 2018.

students<sup>26</sup> can apply for a postgraduate employment visa. This visa is an open work visa, without a labour market impact assessment required.

## **New Zealand**

- C.72 There has been a recent policy shift towards encouraging migration on a temporary basis prior to permanent residence. This is driven by the Government of New Zealand finding that the more positive long-term outcomes have been associated with people holding temporary work visas in New Zealand prior to applying for residence, rather than applying for residence before having lived and worked in New Zealand. In this light, temporary migration is now the main route into New Zealand.
- C.73 The Essential Skills visa is one of the largest single temporary work visas into the country, with around 42,500 migrants using this visa in 2018/19. This number has been increasing since 2012/13 where the number of migrants that used this route stood at 22,000. This visa allows candidates with a job offer to stay for up to five years depending on the skill level of employment.
- C.74 Post study visas are also experiencing an increase in candidates applying and being approved. Since 2012/13, the number has risen from around 10,000 to nearly 25,000 in 2018/19. This is an open work visa, not attached to a specific employer and is valid from one to three years upon the applicant completing their studies.
- C.75 International fee-paying students account for most of the approved applications of students into the country. Candidates can stay for up to four years and, like Canada, have work rights of up to 20 hours per week in term-time (full-time outside of term-time). An offer of enrolment by an approved education provider must also be obtained prior to receiving this visa. Overall, this route has remained relatively constant since 2009/10. Around 103,000 migrants entered New Zealand in the student stream in 2018/19, a small decrease from the previous year. This stream peaked in 2016/17 with 107,000 applications being approved.

## **Pathways: Temporary to permanent residency**

### **Australia**

- C.76 Since 2012/13, most skilled visas have been granted to those onshore who already hold temporary visas. Unsurprisingly, around 85 per cent of those granted employer nominated visas in this time frame were onshore. This is contrasted to skilled independent, regional and state/territory nominated, which trended downwards in this

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<sup>26</sup> <https://www.canada.ca/en/immigration-refugees-citizenship/corporate/publications-manuals/operational-bulletins-manuals/temporary-residents/study-permits/post-graduation-work-permit-program/eligibility.html>

time to 42 per cent of grants given to onshore migrants in 2018/19.

- C.77 In 2017/18, 39,800 temporary skilled visa holders were granted permanent residence or a provisional visa<sup>27</sup>. More than half of migrants obtaining a permanent visa in this year were new arrivals to the country, the rest came from onshore in Australia.

## Canada

- C.78 The current system encourages higher-skilled individuals (and employers) to divert to permanent pathways, whereas routes to permanent residence for lower-skilled are mainly available via regional programmes. Those in low-skilled employment are not eligible for programmes on the express entry system as they do not qualify to gain points for skilled work experience. However, if an applicant is in temporary skilled employment and is nominated by a province/territory, they would 600 points on their Express Entry EOI application.
- C.79 In 2017, around 59,000 former work permit and/or study permit holders transitioned into permanent visa holders. In the same year, invitations to candidates with previous education in Canada increased to 30,500, which equates to around 36 per cent of all invitations sent and an increase of 18,000 compared to the year before. This highlights the emphasis being placed on international students in Canada as a means of meeting future labour market needs. According to OECD calculations of IRCC data, 55 per cent of those admitted into permanent residency in 2018 held a previous work permit in Canada<sup>28</sup>.

## New Zealand

- C.80 Those entering the country on the LTSSL and Talent (Accredited Employer) have pathways to residence, requiring the migrant to stay in their sponsored occupation for two years. Those entering the country on the Essential Skills visa do not have rights for residence. However, they can stay for up to five years depending on skill level<sup>29</sup>.
- C.81 To gain a permanent resident visa, migrants must have held a resident visa for at least two years prior to applying and can “*show a commitment to New Zealand*”. This can be met a number of ways with the most common way meeting the time spent in New Zealand by spending at least 184 days of each of the last two years. This visa allows

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<sup>27</sup> <https://www.homeaffairs.gov.au/research-and-stats/files/temp-res-skilled-rpt-summary-30062018.pdf>

<sup>28</sup> <https://www.oecd-ilibrary.org/sites/4abab00d-en/1/2/3/index.html?itemId=/content/publication/4abab00d-en&csp=351d6ccee86b42b0bf932c3863f3bebd&itemIGO=oecd&itemContentType=book#back-endnotea3z37>

<sup>29</sup> Skill level is determined through a combination of the occupation’s skill classification under the Australia and New Zealand Standard Classification of Occupations (ANZSCO) and the remuneration being offered: <https://www.immigration.govt.nz/new-zealand-visas/apply-for-a-visa/tools-and-information/work-and-employment/employment-skill-bands/updates/remuneration-thresholds>

the applicant to live, work and travel in/out of New Zealand without travel conditions<sup>30</sup>.

- C.82 From 2006/07 to 2011/12, according to a 2016-17 report<sup>31</sup>, around 28 per cent of temporary workers in New Zealand apply for a resident visa immediately after their visa expires, with around 70 per cent exiting the country and the rest either unknown or applying for student visas. During the period from 2007/08 to 2016/17, the proportion of applications approved onshore under the New Zealand residence programme stood at around 73 per cent.
- C.83 Upon the expiry of their student visa from 2006/07 to 2011/12, 46 per cent chose to exit the country, with 45 per cent continuing onto a work visa and 3 per cent applying for a resident visa. For the same group five years later, the proportion of those exiting the country was at 68 per cent, those on a resident visa was 28 per cent and those on a work visa remained at around 3 per cent.

## Austria

- C.84 Austria differs from the other three countries considered in this report, as there is no visa or route for a candidate to gain immediate permanent residency. The Red-White-Red Card plus<sup>32</sup> allows non-EU nationals full access to the labour market (candidates can be self-employed, or an employed person, this residence permit is not limited to a specific employer) and fixed-term settlement. To be eligible for the RWR Card Plus, the candidate must have held a RWR-card for 21 months during the preceding 24 months. Around 90 per cent of those who the old RWR-card go on to apply for a RWR+ card.

## Outcomes

- C.85 Given the different data which each of the countries collect, drawing direct comparisons is difficult. However, we can compare migration outcomes within countries. In Australia, we can analyse migration outcomes between the different visa routes. In Canada it is only possible to compare migration outcomes relative to the total population.
- C.86 In Australia, those entering on a PBS visa tend to enjoy larger increases in earnings over time compared to employer sponsored visas. In fact, the offshore independent migrants – i.e. points-tested migrants arriving from abroad – also earned more than the employer sponsored migrants immediately. However, the employer sponsored

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<sup>30</sup> <https://www.immigration.govt.nz/new-zealand-visas/apply-for-a-visa/criteria/permanent-resident-visa?nationality=nationality-GBR&country=residence-NZL>

<sup>31</sup> Migration Trends report 2016-17 - Transitions and retention: <https://www.mbie.govt.nz/immigration-and-tourism/immigration/migration-research-and-evaluation/migration-trends-report/> (Report followed migrants up to 5 years after expiry, therefore data from 2012/13 to 2016/17 unavailable)

<sup>32</sup> <https://www.migration.gv.at/en/types-of-immigration/permanent-immigration/redwhiteredcardplus/>

visas have a much lower unemployment rate at both six and 18 months after arrival.

### Unemployment rate

- C.87 In Australia the unemployment rate for skilled migrants decreased 4.2 percentage points between 6 and 18 months of entering the country, from 7.0 per cent to 2.8 per cent. This is compared to a 0.2 percentage point decrease for the general population over the 12-month period<sup>33</sup>. Unemployment rates in Canada for migrants in the first year after landing tend to be higher than the total population and take roughly ten years to decrease to the level of the general population.
- C.88 Statistics Canada figures show that in 2018 the total unemployment rates were around 5.8 per cent. Total landed 'immigrant' unemployment stood at 6.1 per cent, for those landing between five and ten years earlier it was 9.1 per cent and those receiving permanent status ten years or more prior had an unemployment rate of 5.3 per cent.
- C.89 Unsurprisingly, the Employer Sponsored route of permanent skilled migration into Australia had the lowest unemployment rate of any of the skill stream visa routes in the country at the six-month stage, at 2.2 per cent in 2016. Offshore Independent migrants had the highest unemployment rate at the same stage, at 17.4 per cent. This is set against a general population unemployment rate of 5.7 per cent.
- C.90 At the 18-month stage in 2017, the general population of Australia had an unemployment rate of 5.5 per cent (a decrease of 0.2 percentage points) The unemployment rate for the Employer Sponsored visa holders stood at 1.6 per cent (a decrease of 0.6 percentage points), the Offshore Independent unemployment rate was 4.9 per cent (a decrease of 12.5 percentage points).
- C.91 The employment outcomes of migrants in New Zealand<sup>14</sup> generally improved between 6 and 36 months of gaining a permanent visa in the country. For the cohort surveyed at six months, 72 per cent were employed in the country, this rose to 75.6 per cent at 36 months since obtaining a permanent visa. Skilled principal migrants had higher levels of employment, 94 per cent at the six-month point. This rose to 94.5 per cent at the 18 month stage of the survey but fell to 93.7 per cent at the final 36 month interview.

### Earnings

- C.92 Median annual earnings for skilled migrants in Australia increased \$8,000 between 2016 and 2017 from \$65,000 to 73,000, compared to a \$3000 rise for the general population, from \$73,000 to £76,000. In Canada, it took migrants longer to earn a similar level to the general population.
- C.93 Looking at those who entered who obtained a permanent visa in 2012<sup>34</sup>, only those

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<sup>33</sup> <https://www.homeaffairs.gov.au/research-and-stats/files/csam-cohort4-change-outcomes-2017.pdf>

<sup>34</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=4310001001>

using the Canadian Experience Class (CEC) – migrants entering Canada with previous work experience in the country – at \$44,600, had a higher median wage than the general population, at \$33,000. The Provincial Nominee Program (PNP) – migrants nominated by provinces in Canada – had comparable earnings to the general population upon entry into the country, whereas the Federal skilled routes – points-tested skilled migrants – had median annual earnings of \$11,600 upon arrival in 2012. By 2016, the median earnings for the total population stood at \$33,300. Those in the PNP surpassed this figure, at \$42,700. The CEC median earnings were higher than the population still, at \$58,800. The federal skilled routes surpassed the general population's earnings by around three years in the country. After four years since admission, this route had median annual earnings of \$37,300.

- C.94 Analysis of the median earnings of the Australian cohort, between the 6 and 18-month points of the CSAM in 2017<sup>35</sup>, shows that the points-tested visas have a bigger increase in median earnings compared to the employer sponsored migrants. Offshore skilled independents are the highest earning group and have the largest increase at around \$13,000, from \$75,000 to \$88,000. The employer sponsored migrants have the smallest increase at around \$6,000, from \$66,000 to \$72,000. With state/territory nominated visas increasing by \$11,000, from \$66,000 to \$77,000 and onshore independents increasing \$9,000, from \$64,000 to \$73,000.

### **Proportion of those in skilled employment**

- C.95 Migrants into Australia through the skill stream and the proportion of those in highly-skilled employment increased around 8 percentage points between the 6 and 18 month stages of the survey, to 67 per cent. At the 6 month stage, a higher proportion of Employer Sponsored migrants were employed in highly skilled and semi-skilled jobs compared to offshore and onshore independent migrants. At the 18 month stage, both the offshore and onshore independent categories increased their employment in highly skilled roles by around 16 and 9 percentage points respectively. During the same time period the proportion of those in highly skilled employment on employer sponsored visas increased by around 3 percentage points. The onshore independent visa at the 18 month stage had the highest proportion of migrants in highly skilled employment, at around 80 per cent.
- C.96 Unfortunately, these figures cannot be compared to the general population of Australia as the data is not available in a consistent format.

### **Age and demographics**

- C.97 Most migrants into Australia tend to be aged between 25 and 34 years old. For all

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<sup>35</sup> <https://www.homeaffairs.gov.au/research-and-stats/files/csam-cohort4-change-outcomes-2017.pdf>

migrants surveyed in the CSAM report 2016<sup>36</sup>, 56 per cent were in this age group, compared to 59 per cent of skill stream migrants. Those less than 25 years old accounted for 21 per cent of all migrants and 17 per cent of skill stream migrants. This was the opposite for the 35 to 44-year-old cohort, who made up 21 per cent of skill stream migrants and 17 per cent of all migrants. Data on the age of migrants was not collected in the CSAM for Cohort 4 in 2017.

- C.98 English was the main language spoken by 49 per cent of all surveyed migrants and 60 per cent of skill stream migrants, with English proficiency being the 'best/only' language for 62 per cent of all migrants and 74 per cent of skill stream migrants.
- C.99 In Canada the split of migrants was more evenly distributed across the age groups, for both the Economic Class group and Skilled workers<sup>37</sup>. The main departure from Australia was the proportion of those at older ages. In Canada, the percentage of those aged 55+ was 19 per cent for the Economic Class, and 21 per cent for the skilled migrant group. Those aged between 25 and 34 years old accounted for 22 per cent and 16 per cent in the economic and skilled worker categories respectively. The median age for the groups stood at 41 and 42 years old.
- C.100 The majority first official language for both groups was English, at 81 per cent for the economic class and 78 per cent for the Skilled worker group.
- C.101 In New Zealand<sup>38</sup>, migrants enrolled in the skilled/business stream tended to be younger than in Canada: the median age of principal applicants in the skilled migrant category was 30 years old, and in the skilled/business stream, the largest age group was 30 to 39 years old (32 per cent). Much like Australia, the proportion of those aged at the higher age groups was lower than Canada, with those aged 50+ making up 3 per cent of the Skilled/business stream.
- C.102 New Zealand does not test English language ability in its PBS as it is a requirement and so data on this is not collected.
- C.103 To conclude, Australia and New Zealand attracted younger skilled permanent migrants than Canada. Most of the Australian cohort were aged between 29 and 34 years old. The median age of skilled migration into New Zealand was 29 years of age, whereas in Canada the median was just over 40 years of age. Most entrants into Australia and Canada claimed full points for language proficiency, as English was their first official language.

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<sup>36</sup> *Continuous Survey of Australia's Migrants, Cohort 3 Report Changes in Outcomes 2016*:  
<https://www.homeaffairs.gov.au/research-and-stats/files/csam-cohort3-report-change-in-outcomes-2016.pdf>

<sup>37</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=4310002001>

<sup>38</sup> <https://www.mbie.govt.nz/assets/Uploads/c22ab0c547/migration-trends-2016-17.pdf>

## Points-tests by country

### Australia

<b>Table C.4: Points awarded in the Australian Skilled Independent Points-Test (sub-class 189)<sup>39</sup></b>		
<b>Criteria</b>	<b>Specifications</b>	<b>Points</b>
Age	At least 18 but less than 25	25
	At least 25 but less than 33	30
	At least 33 but less than 40	25
	At least 40 but less than 45	15
Language skills	Competent English	0
	Proficient English	10
	Superior English	20
Skilled employment experience – Overseas	Less than 3 years	0
	At least 3 but less than 5 years	5
	At least 5 but less than 8 years	10
	At least 8 years	15
Skilled employment experience – In Australia	Less than 1 year	0
	At least 1 but less than 3 years	5
	At least 3 but less than 5 years	10
	At least 5 but less than 8 years	15
Educational qualifications	A doctorate from an Australian institution or a doctorate from another institution of a recognised standard	20
	At least a bachelors degree from an Australian institution or at least a bachelor qualification, from another institution of a recognised standard	15
	A diploma or trade qualification from an Australian institution	10
	Attained a qualification or award recognised by the relevant assessing authority for your nominated skilled occupation as being suitable for that occupation	10
Other	Specialist Education Qualification: A masters degree by research or a doctorate degree from an Australian institution that included at least 2 academic years study in a relevant field	10
	Australian study requirement: degree, diploma or trade qualification from an Australian institution that meets the Australian study requirement	5
	Completion of a professional year in Australia	5
	Recognised qualification in a 'credentialed community language'	5
	Studied in regional Australia	5
Partner skills	Partner meets age, English and skill criteria	10
	Partner has competent English	5
	Applicant is single or their partner is an Australian citizen or permanent resident	10

<sup>39</sup> <https://immi.homeaffairs.gov.au/visas/getting-a-visa/visa-listing/skilled-independent-189/points-table>

## Canada

Table C.5: Canada's points system <sup>40</sup>		
Criteria	Specifications	Points
Language  (Max 28 points (24 points 1 <sup>st</sup> Language and 4 points 2 <sup>nd</sup> Language))	Knowledge of English and French language based on a language test from an agency approved by the Citizenship and Immigration Canada. Scores based on listening, speaking, reading and writing skills	Up to 28
Education  (Max 25 points)	One (15 points) or two-year (19 points) post-secondary programme	15 or 19
	Post-secondary programme of three years or more	21
	Two or more post-secondary programme credentials, at least one of which must have been issued on completion of a post-secondary program of three years or longer.	22
	Masters	23
	A university-level programme at the level of an entry-to-practice professional degree for an occupation listed in the NOC Matrix at Skill Level A for which licensing by a provincial regulatory body is required	23
	A PhD	25
Experience  (Max 15 points)	1 year	9
	2-3 years	11
	4-5 years	13
	6 years or more	15
Age  (Max 12 points)	Under 18	0
	18-35	12
	36	11
	37	10
	38	9
	39	8
	40	7
	41	6
	42	5
	43	4
	44	3
	45	2
	46	1
	47 and Older	0
Arranged employment in Canada  (Max 10 points)	Currently work in Canada on a temporary work permit	10
	Currently work in Canada in a job that is exempt from the LMIA requirement under an international agreement or a federal-provincial agreement	10

<sup>40</sup> <https://www.canada.ca/en/immigration-refugees-citizenship/services/immigrate-canada/express-entry/eligibility/federal-skilled-workers/six-selection-factors-federal-skilled-workers.html>

	Currently do not have a work permit, or plan to work in Canada before you get a permanent resident visa. OR Currently working in Canada and has been offered another permanent full-time job. OR Currently working in Canada in a job that is exempt from a Labour Market Impact Assessment, but not under an international or federal-provincial agreement.	10
Adaptability (Max 10 points)	Spouse/partner's language test results meet required level	5
	Past study in Canada (at least two academic years of full-time study at a secondary or post-secondary school in Canada)	5
	Spouse/partner's past study in Canada (as above)	5
	Past work in Canada, at least 1 year experience in skilled occupation	10
	Spouse/partner's work experience in Canada at least 1 year	5
	Arranged employment in Canada, arrange employment under factor 5 above	5
	Relatives in Canada (either a parent, grandparents, child, grandchild, sibling, aunt/uncle, niece/nephew) who is 18 years or older and either a Canadian citizen or permanent resident.	5

**Table C.6: Canadian Comprehensive Ranking System<sup>41</sup>**

<b>Criteria</b>	<b>Specifications</b>	<b>Max Points</b>
		(Accompanied by Spouse / Unaccompanied)
A. Core/ human capital factors: max 500 points (A and B combined)	Age	100 / 110
	Levels of education	140 / 150
	Official Languages proficiency	150 / 160
	Canadian Work experience	70 / 80
B. Spouse or common-law partner factors (max 40 if applicable)	Level of education	10
	Official language proficiency	20
	Canadian work experience	10
C. Skill Transferability Factors: max 100 points	Education (with good official language proficiency & post-secondary degree/ with Canadian work experience & post-secondary degree)	50
	Foreign work experience (with CLB 7 or higher/ with Canadian work experience)	50
D. Additional: max 600 points	Sibling in Canada who is a citizen/permanent resident of Canada	15
	French language skills	30
	Post-secondary education in Canada	30

<sup>41</sup> <https://www.canada.ca/en/immigration-refugees-citizenship/services/immigrate-canada/express-entry/eligibility/criteria-comprehensive-ranking-system/grid.html>

## New Zealand

<b>Criteria</b>	<b>Specifications</b>	<b>Points</b>
Age	Under 20	0
	20-39	30
	40-44	20
	45-49	10
	50-55	5
Skilled Employment	Already working in skilled employment in NZ	50
	Working in an area of absolute skill shortage	10
	Working outside of the Auckland region	30
	Paid above the high remuneration threshold	20
	Have been offered skilled employment in NZ	50
	Have been offered employment in an area of absolute skill shortage	10
	Have been offered work outside of the Auckland region	30
	Have been offered employment above the high remuneration threshold	20
Qualifications	Recognised qualification level 3-6 (e.g. trade qualification, diploma)	40
	Recognised qualification level 7 or 8 (e.g. bachelors degree)	50
	Recognised qualification 9 or 10 postgrad (e.g. masters degree, PhD)	70
	2 years of full-time study in NZ completing a recognised bachelors degree	10
	Post grad-qualification from NZ 1 year or more	10
	Post grad-qualification from NZ 2 years or more	15
	Bachelors	10
Skilled Work Experience	10 years +	50
	8 years	40
	6 years	30
	4 years	20
	2 years	10

<sup>42</sup> <https://www.immigration.govt.nz/new-zealand-visas/apply-for-a-visa/tools-and-information/tools/points-indicator-smc-28aug>

## Austria

Table C.8: Austrian Points Test for Very Highly Skilled Worker <sup>43</sup>		
Criteria	Selection	Points
Qualifications/skills (40 points maximum)	Graduation from an institution of higher education, minimum duration of programme: four years	20
	- in the subjects mathematics, informatics, natural sciences or technology (MINT subjects)	30
	- Post-doctoral qualification or PhD	40
	Gross salary of previous year earned in a senior management position with a company listed on the stock exchange or a company for which the Austrian foreign trade office in charge issued a positive report about its activities or business segment:	
	- €50,000 to 60,000	20
	- €60,000 to 70,000	25
	- More than €70,000	30
	Research and innovation activities (Patent applications, publications)	20
	Awards (recognised prizes)	20
Work Experience (20 points maximum)	Work experience (per year)	2
	Six months of work experience in Austria	10
Language Skills (10 points maximum)	German or English language skills for the elementary use of the language on a basic level – (A1 level)	5
	German or English language skills for the intensified elementary use of the language – (A2 level)	10
Age (20 points maximum)	Up to 35 years of age	20
	Up to 40 years of age	15
	Up to 45 years of age	10
Studies in Austria (10 points maximum)	Second part of diploma programme (Diplomstudium) or half of the required total ECTS points.	5
	Completed diploma programme (Diplomstudium) or bachelors and masters degree programme	10
<b>Sum of maximum available points</b>		<b>100</b>
<b>Required Minimum</b>		<b>70</b>

<sup>43</sup> <https://www.migration.gv.at/en/types-of-immigration/permanent-immigration/very-highly-qualified-workers/>

## Annex D: Detailed description of the evolution of Tier 2 (General) salary thresholds

D.1 Tier 2 (General) was introduced in November 2008 originally as a pure points-based system (PBS) for skilled migrants with a job offer in the UK coming from countries outside of the EEA. There was no fixed salary threshold, instead, applicants had to score a minimum of 50 points acquired through sponsorship, qualifications and prospective earnings (as detailed in Table D.1 below). Migrants and sponsors could trade-off different characteristics, such as lower qualifications for a higher salary, to meet the required minimum points.

Table D.1: Points Table for Tier 2 (General & ICT) November 2008					
Sponsorship		Qualifications		Prospective Earnings	
	Points		Points		Points
Shortage occupation	50	None, or below an appropriate sub degree level qualification	0	Below £17,000	0
Job offer passes Resident Labour Market Test (RLMT)	30	An appropriate sub degree level qualification	5	£17,000-19,999.99	5
Intra-company Transfer	30	Bachelor's or master's degree	10	£20,000-21,999.99	10
Post Study Work	30	PhD	15	£22,000-23,999.99	15
				£24,000+	20

Source: Table 10 p25 Statement of changes to the Immigration Rules: HC1113, 4 November 2008

D.2 In April 2010, the characteristics and the points awarded for those characteristics were updated to reflect the structure presented in Table D.2. These changes emerged from recommendations by the MAC in our *Analysis of the Points Based System*<sup>44</sup> report (as were changes to points for Intra-Company Transfers and masters). Our recommendations were motivated by the observation that it was difficult to argue that jobs paying less than £20,000 per year (30th percentile of full-time earnings in 2008) were skilled to NQF level 3, the minimum skill requirement under the scheme at the time. Equally £24,000 appeared too low to guarantee an individual holding no qualifications is skilled (as with the 20 points previously allocated for £24,000 and

<sup>44</sup> MAC, *Analysis of the Points Based System*, August 2009, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/257266/mac-august-09.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/257266/mac-august-09.pdf)

combined with sponsorship an individual could breach the 50-point threshold). Median full-time earnings for skilled occupations in the UK were estimated to be around £32,000 in 2008, hence the recommendation this be the upper band. An extra five points more than the MAC had recommended were given at each band above £20,000 “because of the difficulties in identifying occupations involved in the delivery of key public services”<sup>45</sup>.

Table D.2: Points Table for Tier 2 (General & ICT) April 2010					
Sponsorship		Qualifications		Prospective Earnings	
	Points		Points		Points
Shortage occupation	50	None, or below GCE A-Level	0	Below £20,000	0
Job offer passes Resident Labour Market Test (RLMT)	30	GCE A-Level	5	£20,000-23,999.99	10
Intra-company Transfer	25	Bachelors degree	10	£24,000-27,999.99	15
Post Study Work	30	Masters degree or PhD	15	£28,000-31,999.99	20
				£32,000+	25

Source: Table 10 p15 Statement of changes to the Immigration Rules: HC439, 18 March 2010

- D.3** April 2011 marked the transition of Tier 2 (General) from a ‘true’ PBS route to a scheme characterised by pass/fail thresholds, which only used points as a way of organising the presentation of requirements for sponsors and migrants. Applicants still needed to score 50 points but now could only do this through meeting the sponsorship requirements and being paid the ‘appropriate rate’, as set out in Table D.3 below. The ‘appropriate rate’ was defined as the £20,000 or the rate set out in the codes of practice published by UK Border Agency, whichever was higher. A salary threshold of this type has been in place since.
- D.4** Furthermore, the minimum skill level of occupations for which sponsors could fill vacancies using Tier 2 (General) migrants was raised from NQF3 (equivalent to a job requiring A Levels) to NQF4, which was described as ‘graduate-level’ at the time<sup>46</sup>.
- D.5** In addition to the change in how applicants qualified for Tier 2 (General), this period

<sup>45</sup> MAC, *Limits on Tier 1 and Tier 2 for 2011/12 and supporting policies*, November 2010, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/257257/report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/257257/report.pdf)

<sup>46</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/257243/analysis-of-the-pbs.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/257243/analysis-of-the-pbs.pdf)

also saw the introduction of a numerical cap on the number of Certificates of Sponsorship that could be issued – this was set at 20,700. If a given month’s allocation of the annual cap was exceeded then applications were prioritised using a points system that gave priority to applications with higher salaries, occupations on the Shortage Occupation List and PhD level occupations<sup>47</sup>. Again, this feature of the system remains today but is expected to be removed in the future global system.

<b>Table D.3: Tier 2 (General) April 2011</b>			
<b>Sponsorship</b>		<b>Appropriate Salary</b>	
	Points		Points
Shortage occupation	30	£20,000 or the appropriate rate for the occupation, whichever is higher.	20
Job offer with a salary of £150,000 or more	30		
Job offer passes Resident Labour Market Test (RLMT)	30		
Post Study Work	30		
Continuing to work in the same job for the same Sponsor	30		

Source: Table 11A p41 Statement of changes to the Immigration Rules: HC863, 16 March 2011

- D.6 The definition of a ‘graduate level’ occupation was raised from NQF4 to NQF6 in June 2012.
- D.7 In April 2013 the minimum salary was increased from £20,000 to £20,300 to adjust for wage inflation.
- D.8 Additionally, a distinction was made between occupation specific ‘appropriate rates’ for ‘new entrants’ and ‘experienced workers’. For the former, the 10th percentile of the earnings distribution for full-time workers in that occupation was applied (using ASHE data), for the latter the 25th percentile. This was a result of MAC (2012) recommendations<sup>48</sup>. The 25th percentile for experienced workers was chosen instead of the median (50th percentile) so as not to disadvantage both regional and less experienced workers. The 10th percentile for new entrants was chosen as the evidence showed that the typical new entrant would expect a starting salary at the 10th percentile. This lower salary threshold for new entrants is also based on the fact that earnings growth is, on average, higher in the early stages of a career so that lower earnings now might be expected to be replaced by higher earnings later.

<sup>47</sup> See page 45 in *Statement of Changes* 16 March 2011 for more details.

<sup>48</sup> MAC, *Analysis of the Points Based System: List of occupations skilled at NQF level 6 and above and review of the Tier 2 codes of practice*, October 2012, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/257273/Tier2-codesofpractise.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/257273/Tier2-codesofpractise.pdf)

- D.9 We also recommended which occupations should use data sources other than ASHE (such as national professional pay scales, e.g. for teachers and nurses) to set appropriate rates.
- D.10 Since these significant changes in 2013, adjustments to the Tier 2 (General) salary thresholds have been more modest in scope. We summarise the main changes below.
- April 2014: the minimum salary was increased from £20,300 to £20,500 to adjust for wage inflation.
  - April 2015: the minimum salary was increased from £20,500 to £20,800 to adjust for wage inflation.
  - November 2016: A new higher minimum salary threshold of £25,000 was introduced for experienced workers, while 'new entrants along with a select number of public sector occupations'<sup>49</sup> continued to face the existing £20,800 threshold.
- D.11 The changes in November 2016 were part of a phased implementation of the MAC recommendation to calculate the minimum thresholds on the same basis as the occupation specific 'appropriate rates'. This meant setting them at the 25th and 10th percentiles of the NQF6+ earnings distribution for experienced and new entrants respectively. At the time these values were £30,000 and £23,000<sup>50</sup>.
- D.12 The MAC recommendation for a £30,000 minimum threshold for experienced workers was implemented in April 2017. However, the new entrant rate was kept at £20,800. Since these changes the minimum salary thresholds have not been updated to reflect the latest data, although the occupation specific 'appropriate rates' have, though not always consistently.

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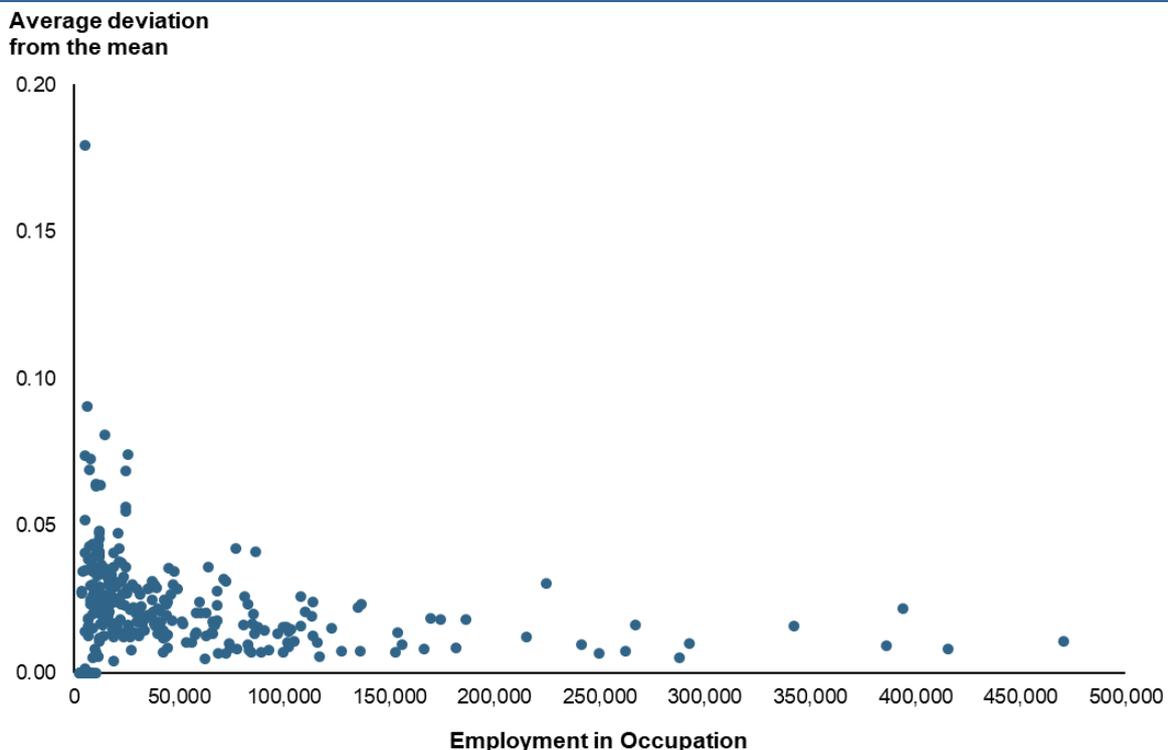
<sup>49</sup> Medical radiographers, nurses, paramedics and secondary education teaching professionals – subject teachers in maths, physics, chemistry, computer science and Mandarin

<sup>50</sup> MAC, *Review of Tier 2: Balancing migrant selectivity, investment in skills and impacts on UK productivity and competitiveness*, December 2015, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/493039](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/493039)

## Annex E: Volatility in new entrant thresholds

- E.1 The current system of setting the experience worker occupation specific threshold at the 25th percentile and the new entrant rate at the 10th percentile results in considerable volatility from year to year for the same occupation in the ratio of the new entrant to experienced worker rate. Almost certainly, this does not reflect variation in rates of pay progression; it is more likely to be a statistical artefact.
- E.2 If it is an artefact, we would expect the problem to be more acute in occupations where the earnings data is based on smaller number of observations. To investigate this, we computed the average ratio of the new entrant to the experience worker rate (the ratio of the 10th to the 25th percentile) for each occupation in ASHE from 2011 to 2019. We then computed deviations from this occupation specific mean for each year and took the average of these absolute deviations. A small value means that the ratio does not change much from year-to-year; a large value that it does. Figure E.1 plots the average deviation against the average size of the occupation.

**Table E.1: Ratio of 10<sup>th</sup> percentile to 25<sup>th</sup> percentile of full-time pay distribution for occupations compared to numbers of employment in each occupation**



Source: ASHE, 2011 to 2019

- E.3 One can see that for the largest occupations, the ratio only varies from year to year by an average of a few percentage points. Smaller occupations have much larger

variation, almost certainly the result of small samples. This adds to the reasons why we think a fixed ratio of new entrant to experienced rates is desirable.

## Annex F: History of the new entrant threshold and pay progression

- F.1 In recommending a new entrant rate, the MAC (2012) examined both stakeholder and quantitative evidence. As part of the quantitative evidence, the MAC (2012) estimated the typical pay for full-time employees that had just left full-time education. This was estimated via the following regression:

$$\begin{aligned} \text{Earnings percentile}_i \\ = \beta_0 + \beta_1 \text{Years}_i + \beta_2 \text{Years}_i^2 + \beta_3 \text{Years}_i^3 + \beta_4 \text{Years}_i^4 + \beta_5 \text{Years}_i^5 \end{aligned}$$

Where *Earnings percentile<sub>i</sub>* is individual *i*'s pay as a percentile of the pay distribution for their occupation and *Years<sub>i</sub>* is individual *i*'s years since leaving full-time education.

- F.2 Using data from the APS (Q2 2011 to Q1 2012) and ASHE (2011), the MAC estimated that a full-time employee who had just left full-time education, working in an occupation skilled at RQF6+, typically earned at the 9th percentile of their occupation's gross annual earnings distribution.
- F.3 In the 2015 Review of Tier 2, the MAC looked at this issue again and updated the analysis using APS (2014) and ASHE (2014). This found that on average, a full-time employee who had just left full-time education working in an occupation skilled at RQF6+ earned at the 13<sup>th</sup> percentile, typically reaching the 25<sup>th</sup> percentile of the distribution after three years. At that time, the MAC recommended there should be a separate overall minimum threshold for new entrants set at the 10<sup>th</sup> percentile for those working in RQF6+ occupations of £23,000. This recommendation was not taken up, and the salary threshold for new entrants remained at the original level of £20,800 (or the 10<sup>th</sup> percentile for the relevant occupation if higher). The £20,800 figure has continued to form the lowest salary threshold at which new entrant migrants are admitted and has not risen to reflect earnings growth since 2015.
- F.4 Using 2018 data from APS and ASHE, table F.1 presents the results from regressing pay percentile on years since leaving full-time education for full-time employees working in occupations skilled at RQF6+. These results indicate that a full-time employee (in RQF6 and above occupations) who has just left full-time education typically earns at the 12<sup>th</sup> percentile of their occupation's pay distribution. This is compared to the 9<sup>th</sup> percentile that was estimated by the MAC (2012) report<sup>51</sup> and 13<sup>th</sup> percentile from the 2015 report.

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<sup>51</sup> It is worth noting that this analysis looks at occupations skilled at RQF3-6+ using 2018 data, whereas the MAC (2012) and (2015) reports looked at occupations skilled at RQF6+, using 2011 and 2014 data respectively.

**Table F.1: Regression of pay percentile on years since leaving full-time education for full-time employees in occupations skilled at RQF6+**

Explanatory variables	Estimated coefficients	Standard errors	Confidence intervals	
			Lower 95%	Upper 95%
Years	6.17	0.03	6.11	6.23
Years <sup>2</sup>	-4.01	0.04	-4.11	-3.93
Years <sup>3</sup>	1.42	0.02	1.37	1.47
Years <sup>4</sup>	-0.26	0.01	-0.27	-0.25
Years <sup>5</sup>	0.02	0.00	0.02	0.02
Constant	1.18	0.01	1.17	1.20
R <sup>2</sup>	0.0876			

Note: Regression of full-time employees' pay percentile for their occupation on their years since leaving full-time education (Years) and higher powers of years since leaving full-time education (second, third, fourth and fifth powers).

Source: APS (2018) & ASHE (2018)

- F.5** Given occupations RQF3 and above will be eligible for the skilled worker route in the future system, we have applied the same methodology to all RQF3 and above occupations. This suggests that a full-time employee (in RQF3 and above occupations) who has just left full-time education typically earns at the 15th percentile of their occupation's pay distribution.
- F.6** The estimated coefficient on the 'Years' variable suggests that for an additional year since leaving full-time education a full-time employee moves 5.6 percentiles up the pay distribution for their occupation<sup>52</sup>. The negative sign on 'Years<sup>2</sup>' indicates that the movement up the earnings distribution increases at a decreasing rate with an increase in the years since leaving full-time education.

<sup>52</sup> 56 divided by 10 as the 'Years' variable was originally divided by 10 in order to give more easily interpreted coefficients for the 'Years' variables.

**Table F2: Regression of pay percentile on years since leaving full-time education for full-time employees in occupations skilled at RQF3-6+**

Explanatory variables	Estimated coefficients	Standard errors	Confidence intervals	
			Lower 95%	Upper 95%
Years	5.60	0.02	5.60	5.70
Years <sup>2</sup>	-3.50	0.03	-3.60	-3.50
Years <sup>3</sup>	1.20	0.02	1.20	1.30
Years <sup>4</sup>	-0.22	0.00	-0.23	-0.22
Years <sup>5</sup>	0.02	0.00	0.02	0.02
Constant	1.50	0.01	1.40	1.50
R <sup>2</sup>	0.0798			

Note: Regression of full-time employees' pay percentile for their occupation on their years since leaving full-time education (Years) and higher powers of years since leaving full-time education (second, third, fourth and fifth powers). All data are presented to two significant figures except for sample size and all coefficients are statistically significant at the 1 per cent level.

Source: APS (2018) & ASHE (2018)

**F.7** We have applied the same methodology to medium-skilled occupations RQF3-5 which is shown in Table F.3. For medium-skilled occupations, a full-time employee who has just left full time education typically earns at the 17<sup>th</sup> percentile of their occupation's pay distribution. The coefficient of the 'Years' variable is 4.8 which is lower than the same estimated coefficient of 6.17 when looking at high-skilled occupations (RQF6+ only). This suggests the pay progression for medium-skilled occupations is slower than for high-skilled for those leaving full-time education.

**Table F.3: Regression of pay percentile on years since leaving full-time education for full-time employees in occupations skilled at RQF3-5**

Explanatory variables	Estimated coefficients	Standard errors	Confidence intervals	
			Lower 95%	Upper 95%
Years	4.81	0.04	4.74	4.88
Years <sup>2</sup>	-2.74	0.05	-2.83	-2.65
Years <sup>3</sup>	0.88	0.02	0.83	0.93
Years <sup>4</sup>	-0.15	0.01	-0.16	-0.14
Years <sup>5</sup>	0.01	0.00	0.01	0.01
Constant	1.74	0.01	1.73	1.76
R <sup>2</sup>	0.0722			

Note: Regression of full-time employees' pay percentile for their occupation on their years since leaving full-time education (Years) and higher powers of years since leaving full-time education (second, third, fourth and fifth powers).

Source: APS (2018) & ASHE (2018)

## Annex G: Technical annex

### (1) Eligibility and impact modelling – further details

#### Data sources and manipulations

- G.1 Our main data source of current EEA migrants is the three-year Annual Population Survey (APS) covering the calendar years 2016, 2017 and 2018. This is an ONS produced dataset that contains a selection of cases from the individual year APS datasets, chosen in such a way that no individuals are included more than once.
- G.2 The three-year APS contains information on a wide range of characteristics of individuals as well as information on the relationships between individuals within the same household. We were able to use the system variables contained within our version of the three-year APS to produce a household level identifier. When combined with the relationship to person 'XR' variables we were able to create variables that detailed the characteristics of an individual's partner and/or parents living in the same household as them.
- G.3 Another key manipulation we made to the underlying APS data was to impute missing wages for employees and the self-employed. The APS does collect information on the gross weekly pay in an individual's main and second job, however this is only asked of individuals who are employees or on a government scheme and not of those who are self-employed. Furthermore, information on the weekly earnings of an individual's main job is missing for around 24 per cent of employees.
- G.4 In order to assess the eligibility of employees under various salary thresholds we need to have a salary to compare against for all employees. To do this we use the *hot deck* imputation method. This involves defining a series of 'donor' groupings within the APS defined using personal characteristics. For each individual with missing earnings we randomly draw the earnings value from an individual within the matching group. This is done within the APS.
- G.5 In order to impute self-employment earnings, we use the 2016, 2017 and 2018 Family Resources Survey (FRS). As with employee earnings we use the *hot deck* method. These earnings are not used to assess migrants for eligibility against Tier 2 (General) salary thresholds, as that route is for employees only. However, they are used when assessing individuals against the Family Income Threshold. They are also used in our GDP modelling in order to get a more accurate measure of total wages in the economy.

#### Definitions

- G.6 Throughout our report, and in particular when discussing our modelling, we refer to EEA migrants. Our definition of this is based on self-reported nationality and includes the following countries:

- Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland.

G.7 Notably this definition does not include nationals from the Republic of Ireland.

### **Eligibility modelling**

G.8 The details of the criteria used to determine eligibility for the different visa routes we have modelled can be found in Table 6.2 in the main report.

G.9 When assessing eligibility of EEA migrants for the current Tier 2 (General) salary thresholds there are a number of departures from the main salary threshold rules that we take account of. These are detailed below in Table G.1

**Table G.1: Departures from main salary thresholds for main applicants under current Tier 2 (General) rules**

	<b>Description</b>	<b>What we assume</b>
<b>1</b>	<p>Migrants sponsored for using a 3-year CoS are considered 'new entrants' if they meet one of the following requirements:</p> <ul style="list-style-type: none"> <li>i. They are switching from a student visa (Tier 4/Tier1)</li> <li>ii. The RLMT was met by carrying out a 'milkround'</li> <li>iii. The migrant was under the age of 26 on the date of their application for leave.</li> </ul> <p><b>New entrants are subject to a salary threshold of max (£20.8k, new entrant rate)</b> – where the new entrant rate tends to be the 10<sup>th</sup> percentile of an occupations earnings distribution.</p>	<p>We assume all individuals under the age of 26 are subject to the new entrant thresholds</p>
<b>2</b>	<p><b>The 'appropriate rate' set for twenty-four (largely) public sector occupations are not set at the 25<sup>th</sup>/10<sup>th</sup> percentile from ASHE, instead they are taken from national pay rates (e.g. NHS pay bands).</b> They are still subject to an absolute lower bound of £30k/£20.8k.</p>	<p>We assume that all individuals will meet the rates set from national pay scales and so the only relevant threshold in these occupations is the absolute lower limit £30k/£20.8k.</p>
<b>3</b>	<p><b>There are some other occupations that have different 'appropriate rate' thresholds applied depending on some characteristics</b> e.g. Biological scientists face Agenda for Change thresholds if they work in the health sector and ASHE derived thresholds otherwise. Architects have different threshold depending on the stage of their training. Some types of electrical engineers in the electricity transmission industry face different thresholds than all other electrical engineers etc.</p>	<p>We do not account for these subtleties given their likely small impact.</p>
<b>4</b>	<p><b>There is an exemption from the £30k lower limit for (at least some parts of) four 'public service occupations'.</b> These occupations face a threshold of max (£20,8k, appropriate rate). These occupations are:</p> <ul style="list-style-type: none"> <li>Medical radiographers</li> <li>Nurses</li> <li>Secondary school teachers in maths, physics, chemistry, computer science and Mandarin.</li> <li>Paramedics</li> </ul>	<p>The only case that causes difficulty is that of secondary school teachers, as the exemption only applies to some jobs within that 4-digit occupation. For now, we assume the exemption applies to all secondary school teachers.</p>
<b>5</b>	<p><b>Pre-registration nurses and midwives can be paid the NHS Agenda for Change Band 3 rate until they achieve their full NMC registration,</b> as long as that is no more than 3 months after the start date of their CoS. Once registered the sponsor must pay them in line with Band 5 rate of pay if they are a nurse or max (£30k, appropriate rate) if a midwife.</p>	<p>We do not take this into account.</p>

- G.10 Another key element in assessing eligibility is the definition of an individual's earnings. As mentioned previously we impute missing values for both employees and the self-employed. However, what we are able to impute is gross weekly earnings, and salary thresholds for both Tier 2 (General) and the Family Income threshold are expressed as annual earnings.
- G.11 This limitation of the data forces us to annualise everyone's earnings by multiplying weekly earnings by 52. Clearly, this may result in an overestimation of some individuals' earnings.
- G.12 We calculate the value of general and occupation specific thresholds in the APS over full-time employees only and give a zero weighting to weekly earnings above £3,500. The impacts presented for our recommended threshold policy in Chapter 7 additionally conditions on an employee having been employed for 12 months or more. This is to more closely align it with the filters used when translating our recommendation into a £ value using ASHE.

### Impact modelling

- G.13 To translate changes in labour supply into changes in output, in order to generate a GDP impact, we make use of a Constant Elasticity of Supply (CES) production function. This is summarised by equation (1) below.

$$\frac{Y}{Y_0} = \left[ \sum_j \alpha_j \left( \frac{E(A_{ij})L_j}{E_0(A_{ij})L_{j0}} \right)^\gamma \right]^{\frac{1}{\gamma}} \quad (1.0)$$

- G.14 This expresses GDP (Y) relative to some base (Y<sub>0</sub>) as a sum of labour inputs from the nine major occupation groups (L<sub>j</sub>) relative to some base (L<sub>j0</sub>) weighted by the wage bill share of each occupation group (α<sub>j</sub>). The parameter γ is a transformation of the elasticity of substitution between major occupation groups (σ) and is equal to  $\frac{\sigma-1}{\sigma}$ .
- G.15 We additionally allow individuals within occupations to differ in terms of the number of efficiency units they supply, denoted by A<sub>ij</sub>. In practical terms this means that a change in labour inputs within an occupation group is measured by the change in the total wage bill within that occupation rather than change in total employment.
- G.16 There will be a skill price for supplying one efficiency unit of labour in an occupation – denote this by W<sub>j</sub> or W<sub>j0</sub>. This will be given by:

$$\frac{W_j}{W_{j0}} = \left( \frac{E(A_{ij})L_j}{E_0(A_{ij})L_{j0}} \right)^{\gamma-1} \left( \frac{Y}{Y_0} \right)^{1-\gamma} \quad (1.1)$$

- G.17 But the wage of individual supplying A<sub>ij</sub> efficiency units will be:

$$W_{ij} = A_{ij}W_j, W_{ij0} = A_{ij}W_{j0} \quad (1.2)$$

G.18 So, wages only change because of variation in the skill price. This also means one can estimate  $A_{ij}$  by:

$$A_{ij} = W_{j0} / W_{ij0} \quad (1.3)$$

G.19 Salary thresholds imply an EEA migrant will be employed if  $W_{ij} = A_{ij}W_j > W^*$  where  $W^*$  is the salary threshold, which can be written as:  $A_{ij} > W^*/W_j$ . The change in labour supply in efficiency units to go into (1.0) can then be written as:

$$\frac{E(A_{ij})L_j}{E_0(A_{ij})L_{j0}} = \frac{\sum A_{ij}I(A_{ij} \geq W^*/W_j)}{\sum A_{ij}} \quad (1.4)$$

G.20 Where  $I(\cdot)$  is an indicator function for meeting the salary threshold. Using (1.3) this can be written as:

$$\frac{E(A_{ij})L_j}{E_0(A_{ij})L_{j0}} = \frac{\sum \frac{W_{ij}}{W_{j0}} I\left(W_{ij} \geq W^* \frac{W_{j0}}{W_j}\right)}{\sum \frac{W_{ij}}{W_{j0}}} = \frac{\sum W_{ij} I\left(W_{ij} \geq W^* \frac{W_{j0}}{W_j}\right)}{\sum W_{ij}} \quad (1.5)$$

G.21 This is a function of observables (individual wages in baseline) and the change in the skill prices. These can be worked out by combining with (1.1) and (1.0) to solve for change in skill prices, GDP and supply of efficiency units. This solution has the disadvantage that there is no closed-form solution though it is relatively straightforward to solve the model. The intuition for the complication is that a salary threshold that reduces supply of an occupation raises the skill price of that occupation causing the bite of the salary threshold to be smaller than one would have thought.

G.22 The impact on UK-born relative to baseline is then simply:

$$\sum_i W_{ij} \frac{W_j}{W_{j0}} \quad (1.6)$$

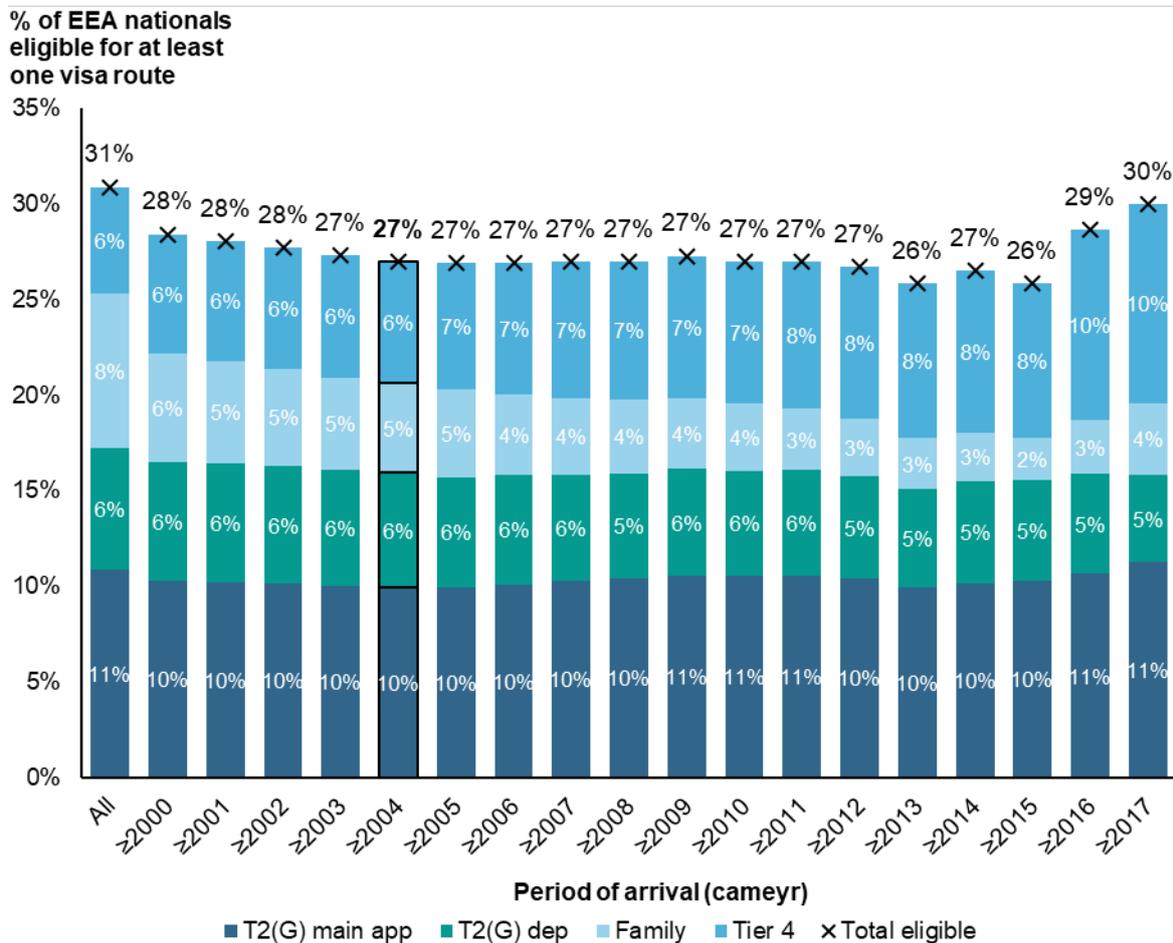
G.23 However, it is easy to see from expression (1.1) that when the value of  $\gamma$  is assumed to be equal to one then there are no wage impacts. This is the assumption we make throughout the main report. We investigate the size and direction of the implied wage effects under different values of  $\gamma$  later on in this technical annex.

## (2) Sense checking our approach to assessing EEA visa eligibility

G.24 We present two checks of our eligibility modelling. The first is an assessment of how sensitive our results are to using different arrival years to define our EEA cohort of interest and the second applies the same eligibility rules to recently arrived non-EEA migrants.

G.25 Figure G.1 below presents the different eligibility rates by visa type we find when using different years of arrival. It shows that we only get somewhat different results when either using very recent arrivals (e.g.  $\geq 2017$ ), or when using the whole sample of EEA nationals (labelled 'All'). This makes us more confident that our results are not specific to our choice of migrant cohort.

**Figure G.1: Eligibility of EEA migrants for assessed visa routes under current Tier 2 (General) salary thresholds and RQF level 3 skill threshold by period of arrival in the UK**



Source: MAC calculations using APS 2016-18

G.26 Another way to check our methodology for assessing the eligibility of EEA nationals for different visa routes is to apply the same (or similar) methodology to recently arrived non-EEA nationals. This later group will have been subject to the current system,

whose rules we are trying to replicate. We would therefore expect to find a high percentage eligible.

**G.27** As part of this exercise we make a number of minor changes to our methodology to account for aspects of the current system that are not (or not as) relevant when considering EEA nationals. In particular:

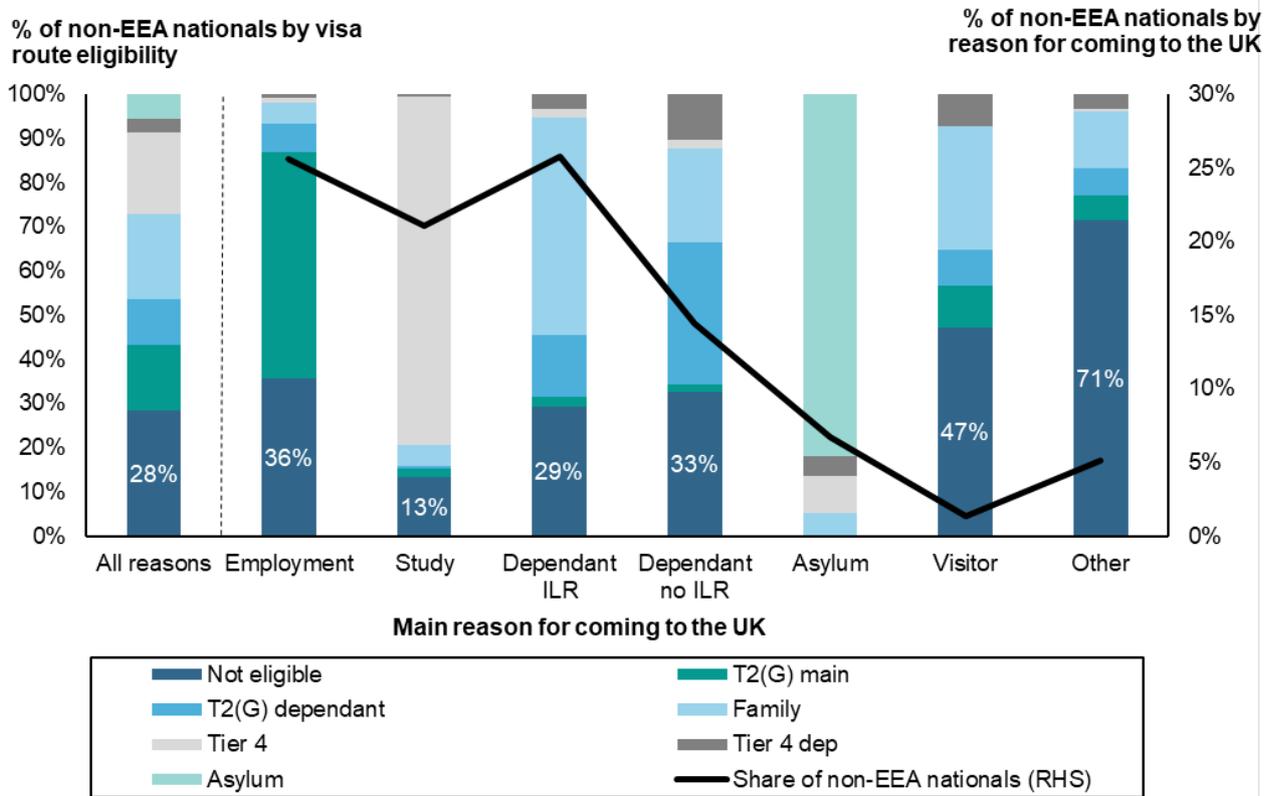
- Tier 2 main applicants must be employed in an RQF6+ occupation, compared to RQF3+ in our EEA example.
- For family visas we have been using whether the migrant has a UK-national partner or parent (if under 18 years old) that meets the relevant family income threshold. For this exercise we expand this to include non-EEA national partners/parents who have been in the UK for more than five years, in an attempt to capture those with settlement.
- We also find non-EEA nationals eligible for the family route if they have an EEA national partner/parent regardless of whether that partner/parent meets the income threshold (as per the current family permit rules for EEA nationals in the UK).
- We also count as eligible any individual stating that asylum was their reason for coming to the UK (using whyuk15 variable). This is a much larger category for non-EEA nationals (7 per cent) compared to EEA nationals (0.2 per cent).

**G.28** Given these changes we assess eligibility of non-EEA nationals and their UK-born children for Tier 2 (General) main and dependant, Family, Tier 4 main applicant and dependent and Asylum routes. We focus on recent arrivals, those who came to the UK on or after 2016, as they are most likely to have been subject to the rules we are trying to model (or something similar).

**G.29** Overall, we find visa routes for 72 per cent of non-EEA nationals (+ UK born children) arriving since 2016, much higher than the 29 per cent we found for EEA nationals. However, this still leaves a minority for whom we do not find a visa route, despite the revealed evidence they did have one (given they entered the UK).

**G.30** Figure G.2 shows the share of non-EEA nationals (and UK-born children) who arrived since 2016 that we find eligible for visa routes by the reason they came to the UK. This shows that we fail to find a visa route for 36 per cent of those who came to the UK for reasons of employment, 13 per cent who came as students, 29 per cent of those who came as dependants of someone with indefinite leave to remain (ILR) and 33 per cent of those who came as dependants of someone without ILR. By definition, we find all those they came to the UK seeking asylum eligible for the asylum route. The final two categories of reason, 'visitor' and 'other' represent a small share of the group we are interested in, and so the high rate of ineligibility is not particularly significant in aggregate.

**Figure G.2: Share of current non-EEA nationals arriving in the UK since 2016 by reason for coming to the UK and visa route eligibility**



Source: MAC calculations using APS 2016-18; individuals can be eligible for more than one route, where this is the case they are assigned to routes using a hierarchy with Tier 2 (General) main applicant first and Asylum last.

**G.31** There are several potential, not mutually exclusive, explanations for why we fail to find a visa route for 28 per cent of recent non-EEA national arrivals:

- Our methodology for assessing eligibility does an imperfect job at applying the relevant rules to individuals and miscategorises eligible migrants as ineligible.
- Our methodology misses out some visa routes for which the individuals currently labelled as ineligible would in fact be eligible for (e.g. Tier 5 YMS and Tier 1 routes that we do not model).
- Measurement error in the APS makes it hard to assess eligibility for visa routes accurately. For example, we cannot deal with dual nationality as the APS does not record this.

**G.32** Despite the potential weaknesses in our eligibility modelling, we are still confident that our approach is justified and that other approaches would suffer from similar issues.

### (3) Estimating the elasticity of substitution between occupations

**G.33** This describes the methodology used to calculate the elasticity of substitution (gamma). The aim is to estimate the relationship between the log of wages and the log of employment using a panel at 1-digit occupation level.

- G.34 The model for GDP relative to base is assumed to have the following Constant Elasticity of Substitution (CES) form:

$$\frac{Y_t}{Y_0} = \left[ \sum_j \alpha_j \left( \frac{L_{jt}}{L_{j0}} \right)^\gamma \right]^{\frac{1}{\gamma}} \quad (1)$$

Where  $L_{jt}$  is employment at 1-digit level at time  $t$ .

- G.35 Assuming a perfectly competitive labour markets in which wage equal marginal products means that the wage of occupation  $j$  at time  $t$  is given by:

$$\frac{W_{jt}}{W_{j0}} = \alpha_j \left( \frac{L_{jt}}{L_{j0}} \right)^{\gamma-1} \left( \frac{Y_t}{Y_0} \right)^{1-\gamma} \quad (2)$$

- G.36 Taking logs this can be written as:

$$\log W_{jt} = -(1-\gamma) \log L_{jt} + \left[ \log \alpha_j + \log W_{j0} + (1-\gamma) \log L_{j0} \right] + (1-\gamma) \log Y_t \quad (3)$$

- G.37 This is an estimable equation for the log of wages on the log of employment with the coefficient being an estimate of  $-(1-\gamma)$  plus other controls. The terms in square brackets vary only at occupation level so can be captured by occupation dummies. The final term varies only with time so can be captured by time dummies.

- G.38 One can also estimate (3) in first-difference form in which case it can be written as:

$$\Delta \log W_{jt} = -(1-\gamma) \Delta \log L_{jt} + (1-\gamma) \Delta \log Y_t \quad (4)$$

- G.39 In what follows we estimate both specification (3) and (4).

## Data

- G.40 To estimate the model requires a measure of wages and employment at the 1-digit level. We use ASHE<sup>53</sup> and LFS<sup>54</sup> from 1997-2018 to do this. We use ASHE data for wages using those who are in full-time employment and who have been in the same job for 12 months. Where we control for composition, we run a regression of the log of the chosen earnings measure on the composition controls and dummy variables for

<sup>53</sup> Office for National Statistics (2019) Annual Survey of Hours and Earnings, 1997-2018: Secure Access. [data collections]. 14<sup>th</sup> edition. UK Data Service. SN6689, <http://doi.org/10.5255/UKDA-SN-6689-13>

<sup>54</sup> Office for National Statistics, Social Survey Division, Northern Ireland Statistics and Research Agency, Central Survey Unit (2019) Quarterly Labour Force Survey, 1992-2019: Secure Access. [data collections]. 17<sup>th</sup> edition. UK Data Service. SN6727, <http://doi.org/10.5255/UKDA-SN-6727-18>

the interaction between 1-digit occupation and year. These dummy variables represent (for a worker with ‘base’ level characteristics) a composition-adjusted measure of wages. We report two composition-adjusted equations: one using age, gender and region; the other those variables plus 3-digit occupation.

- G.41 We use ASHE to measure employment, though the results are similar using LFS. It is plausible that there are differences in the efficiency units supplied within 1-digit occupations: by age, region and occupation in particular. Where we composition adjust employment levels it is done using wage differentials estimated when wages are composition-adjusted.
- G.42 Some of these combinations go more naturally with others e.g. hourly wages with total hours, annual wages with total employment. When we composition adjust, we use the wage equation for the equivalent wage variable.

### Methodology

- G.43 There are a number of reasons why Ordinary Least Squares (OLS) estimates might be subject to bias. First, the employment levels are measured with error so that there is attenuation bias. This could be dealt with by instrumenting ASHE employment with LFS employment (or vice versa) as measurement errors caused by small sample bias are plausibly uncorrelated in the two data sets.
- G.44 A second potential cause of bias is the endogeneity of labour supply to different occupations e.g. if some occupations are doing well, wages might be rising and workers also attracted to the occupation. In this case, what is required is an instrument that is plausibly related to labour supply but not demand. For this we use immigration and a shift-share instrument. For age, education, gender and twelve country of birth groups we compute the fraction that are in each 1-digit occupation for the period before 1996 i.e. before the estimation period. Then we compute a predicted level of employment using these fixed occupation shares and the total observed amount of people from that group. More formally, the instrument is defined as:

$$L_{jt}^{IV} = \sum_c \phi_{jc} N_{ct} \quad (5)$$

- G.45 Where  $\phi_{jc}$  is the fraction of workers with characteristics  $c$  working in occupation  $j$  in the years before 1998, and  $N_{ct}$  is the total number of workers with these characteristics in the economy as a whole in year  $t$ .

### Results

- G.46 The results using data on hourly wages and total hours are reported in Tables G.3-G.4. The levels equations (Table G.3) are estimated on a panel data set for the 9 1-

digit occupations for the period 1997-2018 inclusive, a total of 198 observations. The differenced equations (Table G.4) are for the sample period 1998-2018. The equations using annual earnings and total employment are reported in Tables G.5 (levels) and G.6 (differences).

Table G.2: Tables of Gamma estimates		
	Hourly Wages/Total Hours	Annual Wages/Total Employment
Levels	Table G.3	Table G.5
Differences	Table G.4	Table G.6

- G.47** Each of the observations in these panel regressions are summaries of individual cells. In each table the top panel shows OLS estimates. Each column in the panel shows the estimate for the three ways of composition-adjusting wages and employment (no adjustment, age, region and gender controls, and finally the addition of occupation). The first row shows the estimated regression coefficient, the second row the estimated standard error without clustering and the third row the standard error when clustering on occupation. The bottom panel shows IV (Instrumental Variable) estimates using the supply side instrument described earlier. The first stages are presented in Table G.11 and are always strong.
- G.48** In general, the OLS estimates suggest a small negative impact of an increase in occupational employment, a coefficient around -0.1. Sometimes this is significantly different from zero and sometimes it is not, especially when the standard errors are clustered and in the levels specification. The Instrumental Variable estimates are larger, approximately -0.25, as would be expected.
- G.49** We also look at the robustness of these estimates to different specifications. Tables G3.6-G3.9 show the same estimates but including an occupation specific trend in the levels specification and occupation dummies in the difference specification. The levels equations now sometimes have estimates that are positive, though not significantly different from zero. In some cases, the first-stage (see Table G.12) is now weak. However, the magnitude of the estimates in the difference specifications is quite similar to the specifications without trends.
- G.50** The conclusion is that a value of  $\gamma$  in the region of 0.75-0.9 might be reasonable but often these estimates are not significantly different from 1.

**Table G.3: Gamma estimates**

Wage data: hourly; employment data: total hours; levels or differences: levels

	Employment Unadjusted			Employment Adjusted (excl. occupation)			Employment Adjusted (excl. occupation)		
	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)
	OLS								
Coeff	-0.1	-0.057	-0.103	-0.096	-0.055	-0.103	-0.077	-0.039	-0.098
s.e. (no cluster)	0.027	0.025	0.026	0.028	0.025	0.027	0.024	0.022	0.025
s.e. (cluster)	0.097	0.087	0.093	0.098	0.087	0.096	0.079	0.071	0.087
	IV								
Coeff	-0.292	-0.241	-0.319	-0.303	-0.25	-0.331	-0.285	-0.235	-0.311
s.e. (no cluster)	0.043	0.04	0.043	0.045	0.042	0.045	0.044	0.041	0.043
s.e. (cluster)	0.131	0.119	0.138	0.138	0.124	0.145	0.137	0.123	0.139

Notes: Total number of observations in all regressions is 198 – 9 occupations for the period 1997-2018. Other controls included are 1-digit occupation dummies and year dummies. The clustered standard errors are based on clustering by occupation.

**Table G.4: Gamma estimates**

Wage data: hourly; employment data: total hours; levels or differences: differences

	Employment Unadjusted			Employment Adjusted (excl. occupation)			Employment Adjusted (excl. occupation)		
	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)
	OLS								
Coeff	-0.084	-0.061	-0.076	-0.073	-0.059	-0.078	-0.056	-0.046	-0.089
s.e. (no cluster)	0.038	0.034	0.035	0.04	0.036	0.037	0.047	0.041	0.043
s.e. (cluster)	0.049	0.048	0.051	0.05	0.049	0.053	0.052	0.05	0.06
	IV								
Coeff	-0.343	-0.259	-0.333	-0.369	-0.279	-0.359	-0.349	-0.264	-0.339
s.e. (no cluster)	0.131	0.116	0.115	0.144	0.126	0.126	0.137	0.119	0.118
s.e. (cluster)	0.122	0.101	0.119	0.136	0.11	0.131	0.141	0.114	0.129

Notes: Total number of observations in all regressions is 189 – 9 occupations for the period 1998-2018. Other controls included are year dummies. The clustered standard errors are based on clustering by occupation.

**Table G.5: Gamma estimates**

Wage data: annual; Employment data: total bodies; Levels or differences: levels

	Employment Unadjusted			Employment Adjusted (excl. occupation)			Employment Adjusted (excl. occupation)		
	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)
	OLS								
Coeff	-0.121	-0.057	-0.091	-0.114	-0.053	-0.091	-0.084	-0.032	-0.083
s.e. (no cluster)	0.024	0.021	0.02	0.025	0.022	0.02	0.024	0.02	0.019
s.e. (cluster)	0.069	0.057	0.058	0.07	0.057	0.059	0.053	0.043	0.049
	IV								
Coeff	-0.15	-0.089	-0.166	-0.156	-0.092	-0.172	-0.144	-0.085	-0.159
s.e. (no cluster)	0.033	0.028	0.027	0.035	0.029	0.028	0.034	0.028	0.026
s.e. (cluster)	0.077	0.059	0.061	0.081	0.062	0.064	0.084	0.062	0.064

Notes: Total number of observations in all regressions is 180 – 9 occupations for the period 1999-2018. Other controls included are 1-digit occupation dummies and year dummies. The clustered standard errors are based on clustering by occupation.

**Table G.6: Gamma estimates**

Wage data: annual; Employment data: total employment; Levels or differences: differences

	Employment Unadjusted			Employment Adjusted (excl. occupation)			Employment Adjusted (excl. occupation)		
	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)
	OLS								
Coeff	-0.093	-0.063	-0.082	-0.075	-0.053	-0.077	-0.05	-0.035	-0.085
s.e. (no cluster)	0.044	0.037	0.035	0.047	0.039	0.037	0.057	0.047	0.043
s.e. (cluster)	0.051	0.047	0.046	0.053	0.048	0.048	0.04	0.039	0.045
	IV								
Coeff	-0.182	-0.131	-0.216	-0.195	-0.141	-0.233	-0.182	-0.131	-0.217
s.e. (no cluster)	0.128	0.11	0.105	0.138	0.119	0.114	0.129	0.111	0.104
s.e. (cluster)	0.098	0.078	0.089	0.108	0.086	0.097	0.114	0.089	0.099

Notes: Total number of observations in all regressions is 171 – 9 occupations for the period 2000-2018. Other controls included are year dummies. The clustered standard errors are based on clustering by occupation.

**Table G.7: Gamma estimates**

Wage data: hourly; Employment data: total hours; Levels or differences: levels

	Employment Unadjusted			Employment Adjusted (excl. occupation)			Employment Adjusted (excl. occupation)		
	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)
	OLS								
Coeff	-0.116	-0.067	-0.085	-0.079	-0.055	-0.078	-0.052	-0.035	-0.081
s.e. (no cluster)	0.062	0.057	0.057	0.063	0.059	0.059	0.062	0.057	0.056
s.e. (cluster)	0.12	0.101	0.109	0.096	0.089	0.097	0.073	0.066	0.077
	IV								
Coeff	0.165	0.156	0.129	0.156	0.148	0.122	0.181	0.172	0.142
s.e. (no cluster)	0.267	0.237	0.227	0.25	0.223	0.214	0.294	0.262	0.253
s.e. (cluster)	0.419	0.35	0.298	0.394	0.328	0.28	0.461	0.384	0.329

Notes: Total number of observations in all regressions is 198 – 9 occupations for the period 1997-2018. Other controls included are 1-digit occupation dummies, year dummies and 1-digit occupation trends. The clustered standard errors are based on clustering by occupation.

**Table G.8: Gamma estimates**

Wage data: hourly; Employment data: total hours; Levels or differences: differences

	Employment Unadjusted			Employment Adjusted (excl. occupation)			Employment Adjusted (excl. occupation)		
	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)
	OLS								
Coeff	-0.074	-0.059	-0.063	-0.063	-0.058	-0.066	-0.049	-0.048	-0.083
s.e. (no cluster)	0.035	0.032	0.033	0.038	0.034	0.035	0.044	0.038	0.039
s.e. (cluster)	0.046	0.046	0.049	0.05	0.049	0.051	0.059	0.055	0.06
	IV								
Coeff	-0.314	-0.2	-0.206	-0.35	-0.222	-0.229	-0.366	-0.232	-0.239
s.e. (no cluster)	0.256	0.216	0.207	0.295	0.245	0.235	0.315	0.258	0.245
s.e. (cluster)	0.268	0.22	0.214	0.301	0.247	0.24	0.318	0.258	0.247

Notes: Total number of observations in all regressions is 189 – 9 occupations for the period 1998-2018. Other controls included are 1-digit occupation dummies, year dummies. The clustered standard errors are based on clustering by occupation.

**Table G.9: Gamma estimates**

Wage data: annual; Employment data: total bodies; Levels or differences: levels

	Employment Unadjusted			Employment Adjusted (excl. occupation)			Employment Adjusted (excl. occupation)		
	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)
	OLS								
Coeff	0.037	0.094	0.092	0.138	0.156	0.133	0.155	0.16	0.1
s.e. (no cluster)	0.066	0.052	0.046	0.069	0.055	0.048	0.071	0.057	0.047
s.e. (cluster)	0.142	0.1	0.078	0.129	0.09	0.059	0.142	0.104	0.066
	IV								
Coeff	0.443	0.234	0.069	0.409	0.216	0.064	0.451	0.238	0.071
s.e. (no cluster)	0.492	0.396	0.347	0.428	0.357	0.318	0.492	0.401	0.354
s.e. (cluster)	0.634	0.471	0.36	0.556	0.422	0.329	0.628	0.461	0.364

Notes: Total number of observations in all regressions is 180 – 9 occupations for the period 1999-2018. Other controls included are 1-digit occupation dummies, year dummies and 1-digit occupation trends. The clustered standard errors are based on clustering by occupation.

**Table G.10: Gamma estimates**

Wage data: annual; Employment data: total employment; Levels or differences: differences

	Employment Unadjusted			Employment Adjusted (excl. occupation)			Employment Adjusted (excl. occupation)		
	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)	Wage Unadj	Wage adj (excl. Occ)	Wage adj (incl. Occ)
	OLS								
Coeff	-0.081	-0.067	-0.074	-0.06	-0.055	-0.068	-0.041	-0.041	-0.084
s.e. (no cluster)	0.047	0.04	0.038	0.049	0.041	0.04	0.056	0.046	0.043
s.e. (cluster)	0.064	0.058	0.057	0.069	0.061	0.06	0.063	0.056	0.058
	IV								
Coeff	-0.29	-0.325	-0.404	-0.337	-0.377	-0.468	-0.34	-0.382	-0.473
s.e. (no cluster)	0.254	0.223	0.224	0.3	0.267	0.275	0.31	0.279	0.283
s.e. (cluster)	0.284	0.243	0.235	0.328	0.281	0.273	0.371	0.33	0.324

Notes: Total number of observations in all regressions is 171 – 9 occupations for the period 2000-2018. Other controls included are 1-digit occupation dummies, and year dummies. The clustered standard errors are based on clustering by occupation.

<b>Table G.11: First-stage estimates: No trends</b>						
<b>Levels</b>						
	<b>Hourly</b>			<b>Annual</b>		
	Empl Unadj	Empl adj (excl. Occ)	Empl adj (incl. Occ)	Empl Unadj	Empl adj (excl. Occ)	Empl adj (incl. Occ)
<b>Coeff</b>	0.599	0.577	0.614	0.59	0.564	0.612
<b>s.e. (no cluster)</b>	0.043	0.045	0.044	0.033	0.035	0.034
<b>s.e. (cluster)</b>	0.149	0.138	0.149	0.159	0.142	0.142
<b>Differences</b>						
<b>Coeff</b>	0.474	0.44	0.465	0.499	0.455	0.492
<b>s.e. (no cluster)</b>	0.131	0.144	0.137	0.128	0.138	0.129
<b>s.e. (cluster)</b>	0.086	0.077	0.088	0.104	0.089	0.091

<b>Table G.12: First-stage estimates: With trends</b>						
<b>Levels</b>						
	<b>Hourly</b>			<b>Annual</b>		
	Empl Unadj	Empl adj (excl. Occ)	Empl adj (incl. Occ)	Empl Unadj	Empl adj (excl. Occ)	Empl adj (incl. Occ)
<b>Coeff</b>	0.429	0.452	0.39	0.308	0.331	0.287
<b>s.e. (no cluster)</b>	0.267	0.25	0.294	0.492	0.428	0.492
<b>s.e. (cluster)</b>	0.112	0.116	0.127	0.168	0.161	0.188
<b>Differences</b>						
<b>Coeff</b>	0.384	0.345	0.33	0.362	0.307	0.303
<b>s.e. (no cluster)</b>	0.256	0.295	0.315	0.254	0.3	0.31
<b>s.e. (cluster)</b>	0.093	0.088	0.099	0.074	0.06	0.105

#### (4) Sensitivity of GDP outputs to value of substitution parameter

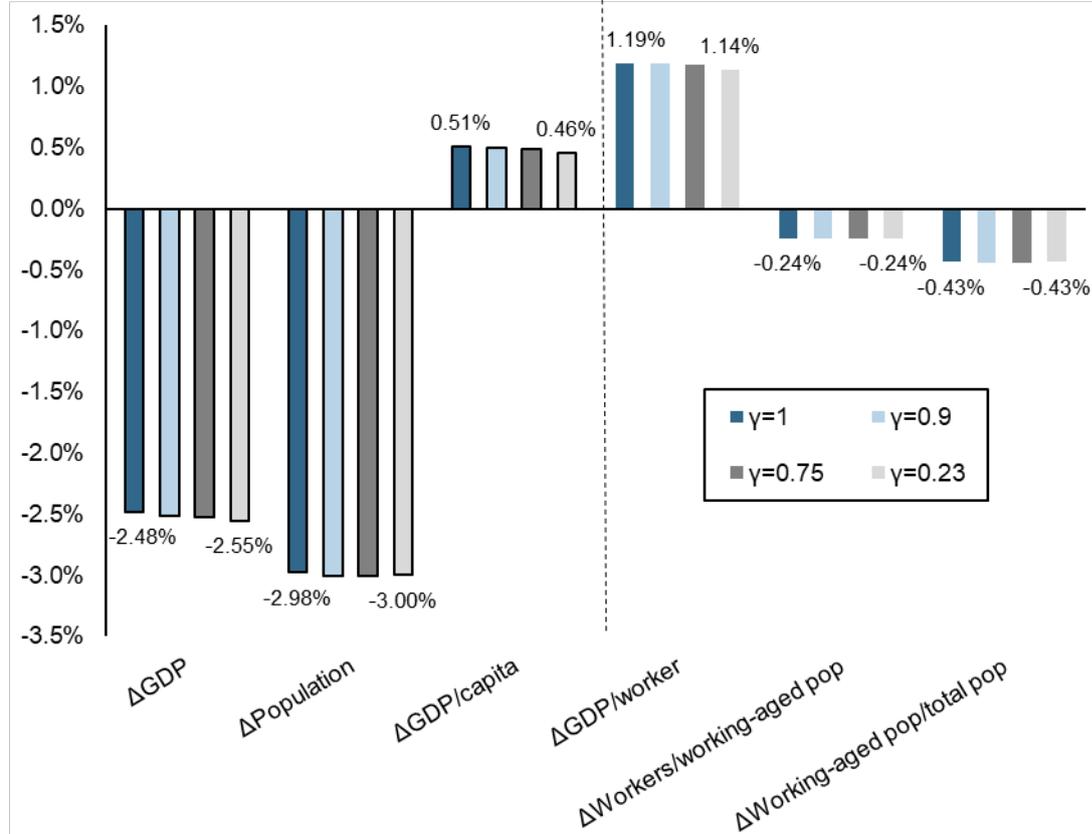
- G.51** The behaviour of the production function we use to translate changes in labour inputs into changes in output depends to some extent on what we assume the elasticity of substitution ( $\sigma$ ) between 1-digit occupations. This elasticity determines the value of the substitution parameter ( $\gamma$ ) which is defined as being equal to  $\frac{\sigma-1}{\sigma}$ . As  $\gamma$  approaches 1 we have perfect substitutes, as it approaches zero we get a Cobb-Douglas production function, and as it approaches negative infinity we get perfect complements.
- G.52** As presented in the section above the evidence supports a value of  $\gamma$  between 0.75-0.9 but also that it is often difficult to reject a value of 1. The value of  $\gamma$  used in the HMG modelling approach is 0.23 (on the basis of an elasticity of substitution of 1.3). This gives us a range of possible values for  $\gamma$  to test how sensitivity of our GDP impacts.

Table G.13: Range of values for substitution parameter	
$\Gamma$	Source
<b>1.00</b>	Insignificant estimates
<b>0.90</b>	OLS estimate
<b>0.75</b>	IV estimate
<b>0.23</b>	Value used in HMG modelling approach <sup>55</sup>

- G.53** Calculating GDP impacts for values of  $\gamma$  different from one is more analytically challenging as there is no closed form solution. The intuition for this complication is that a salary threshold that reduces the supply of an occupation raises the skill price of that occupation causing the bite of the salary threshold to be smaller than one would have thought. We therefore need to use an iterative process to estimate the wage impacts, adjust thresholds (or wages) accordingly and then re-assess migrant's eligibility for visa routes resulting in new wages effects etc. We do this until the change in eligibility is close to zero.
- G.54** In the comparisons which follow we use the impacts from our recommended threshold policy. The case when  $\gamma$  is set equal to one will therefore replicate the results presented at the end of Chapter 7 in the main report. Figure G.3 below presents the GDP, GDP per capita and components of change for this scenario for each of the four different values of  $\gamma$ .
- G.55** We can see from this exercise that the choice of  $\gamma$  has very little implication for GDP and GDP per capita outcomes.

<sup>55</sup> Sourced from estimates of elasticity of substitution between primary factors in the production for specific commodities which range from 0.24 to 1.68 with a modal value around 1.3  
<https://www.gtap.agecon.purdue.edu/resources/download/4184.pdf>

**Figure G.3: GDP and GDP/capita impacts for different values of  $\gamma$  under recommended salary thresholds**



Source: MAC calculations using APS 2016-18

**G.56** However, as mentioned earlier, the choice of  $\gamma$  also has implications for the existence and magnitude of any implied wage effects. When  $\gamma$  is equal to 1, the production function does not produce any implied wage effects, as can be seen from the expression below. As such under this scenario, the only wage impacts from applying salary thresholds to EEA nationals come from compositional changes. This also means that there is no impact of salary threshold on individuals who are not subjected to them, such as UK nationals.

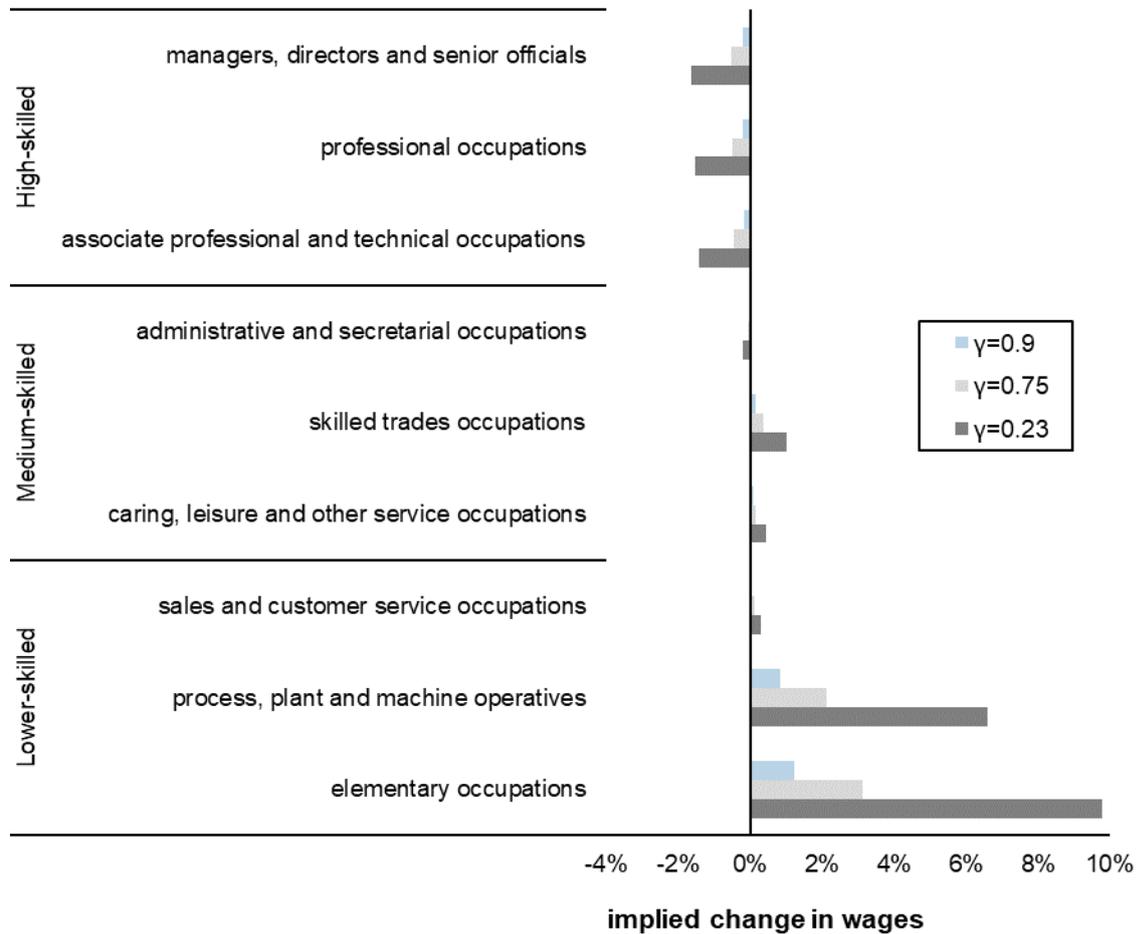
$$\frac{W_j}{W_{j0}} = \left( \frac{E(A_{ij})L_j}{E_0(A_{ij})L_{j0}} \right)^{\gamma-1} \left( \frac{Y}{Y_0} \right)^{1-\gamma}$$

**G.57** For other values of  $\gamma$  there are wage impacts. Figure G.4 shows these implied changes to wages for different values of  $\gamma$ .

**G.58** The choice of  $\gamma$  clearly has quite significant implications for wage impacts. For our OLS derived estimate of  $\gamma$  (0.9) the wage effects are small for most occupations – with the biggest impact being +1.2 per cent for elementary occupations. For our IV estimate (0.75) the effects are larger but still relatively modest. For the value of  $\gamma$  used in the

HMG modelling approach (0.23) the implied wage effects become quite large – between -1.6 per cent and +9.8 per cent.

**Figure G.4: Implied wage impact for different values of  $\gamma$  from application of recommended thresholds**



Source: MAC calculations using APS 2016-18

**G.59** Given the relatively small wage impacts associated with a  $\gamma$  of 0.9 and the negligible change in GDP impacts we decided to evaluate all our proposed policies under the assumption that  $\gamma$  is equal to one.

## Annex H: MAC Analysis Using HMG Modelling Approach

- H.1 As set out in Chapter 6, we have been given access to HMG models of migration under a MoU with Home Office and HM Treasury. The analysis included in this Annex is MAC analysis using those models and the views expressed in this report are the MAC's views.
- H.2 Table H.1 below sets out the results of MAC analysis using the HMG modelling approach, for selected scenarios. We have applied a new entrant reduction parameter of 30 percent across all scenarios in the table below, with the exception of the 'RQF3+ skills threshold only' and 'Current Tier 2 (General) thresholds + RQF3+ skills threshold' scenario. We assume a policy is introduced from 2021 and look at the impacts in 2034, which brings the duration of the assessment period broadly in line with our backward-looking modelling. The impact of the policy is cumulative; lower migration over a longer period will result in a larger reduction in the population. Therefore, we would expect larger impacts when assessing the policy over a longer period.
- H.3 The core differences in the approaches which are discussed in paragraph 6.125 in Chapter 6 remain. Projecting migration is a difficult task and these results are subject to significant uncertainty; they are not a forecast. There are also based on judgement in assumptions and whilst are presented as point estimates to compare across the scenarios, there are wide bounds of uncertainty around these estimates.

Table H.1: MAC analysis using HMG modelling approach					
	% change population (in 2034)	% change GDP (in 2034)	% change GDP/capita (in 2034)	% change labour supply (in 2034)	Annual % reduction in EEA worker inflows
£20,000 general threshold + RQF3+ skills threshold	-1.0%	-1.2%	-0.2%	-1.8%	64%
£26,000 general threshold + RQF3+ skills threshold	-1.1%	-1.4%	-0.3%	-1.9%	71%
£30,000 general threshold + RQF3+ skills threshold	-1.2%	-1.5%	-0.3%	-2.1%	76%
£36,000 general threshold + RQF3+ skills threshold	-1.3%	-1.8%	-0.5%	-2.3%	83%
Higher of £20,000 general threshold or 25 <sup>th</sup> percentile occupation specific threshold + RQF3+ skills threshold	-1.1%	-1.4%	-0.3%	-1.9%	70%
Higher of £26,000 general threshold or 25 <sup>th</sup> percentile occupation specific threshold + RQF3+ skills threshold	-1.2%	-1.5%	-0.3%	-2.0%	74%
Higher of £30,000 general threshold or 25 <sup>th</sup> percentile occupation specific threshold + RQF3+ skills threshold	-1.2%	-1.6%	-0.4%	-2.1%	78%
Higher of £36,000 general threshold or 25 <sup>th</sup> percentile occupation specific threshold + RQF3+ skills threshold	-1.3%	-1.8%	-0.5%	-2.3%	84%
Current Tier 2 (General) salary thresholds + RQF3+ skills threshold	-1.2%	-1.7%	-0.4%	-2.2%	79%
RQF3+ skills threshold only	-0.8%	-0.9%	0.0%	-1.4%	53%

Notes: We have applied a new entrant reduction parameter of 30 per cent across all scenarios except the 'RQF3+ skills threshold only'. The 'Current Tier 2 (General) thresholds + RQF3+ skills threshold' assumes a £30,000 general threshold and 25<sup>th</sup> percentile occupation specific threshold with a £21,000 general threshold and 10<sup>th</sup> percentile occupation specific threshold for new entrants.

## Annex J: Marginal Approach

- J.1 This annex provides more detail on the marginal approach described in Chapter 6. It starts with a simple model and then adds more complexity.

### One-person worker households

- J.2 Suppose there are  $N_{UK}$  workers with an average salary of  $w_{UK}$  who are unaffected by any salary thresholds we are considering imposing. There is a group of EEA migrants who might be affected by any salary threshold. For the moment assume everyone is a single worker with earnings  $w$  and distribution of earnings  $f(w)$  in the absence of any salary thresholds: and a total number of  $M$ .

- J.3 If there is a wage threshold  $T$  the only workers who are eligible are those with  $w \geq T$  (assuming perfect substitutability between workers so there are no induced changes in wages as is our main case). The number of migrants who are eligible under the salary threshold  $T$  is:

$$N(T) = [1 - F(T)]M . \quad (6)$$

- J.4 This means that the average wage among eligible migrants for threshold  $T$  is:

$$\bar{w}(T) = \frac{\int_T x f(x) dx}{1 - F(T)} = \frac{\int_T x f(x) dx}{N(T)} \quad (7)$$

### Impacts of changing salary threshold on the level of migration

- J.5 If we change  $T$  then the change in the log eligible employment (approximately the percentage change) is given by:

$$\frac{\partial \ln N(T)}{\partial T} = - \frac{f(T)}{1 - F(T)} \quad (8)$$

- J.6 This must be negative as a higher salary threshold means fewer migrants who meet the threshold.

### Impacts of changing salary threshold on the average wage of migrants

- J.7 The change in the average wage among the migrants is most easily derived by considering the impact on the log average wage which is given by:

$$\begin{aligned}\frac{\partial \ln \bar{w}(T)}{\partial T} &= -\frac{Tf(T)}{\int_T xf(x)dx} - \frac{\partial \ln N(T)}{\partial T} \\ &= -\frac{\partial \ln N(T)}{\partial T} \left[ -\frac{T}{\bar{w}(T)} + 1 \right] = -\frac{\partial \ln N(T)}{\partial T} \left[ \frac{\bar{w}(T) - T}{\bar{w}(T)} \right]\end{aligned}\quad (9)$$

J.8 From (9) the impact on average wages of migrants can then be written as:

$$\frac{\partial \bar{w}(T)}{\partial T} = -\frac{\partial \ln N(T)}{\partial T} [\bar{w}(T) - T] \quad (10)$$

J.9 This must be positive because the average wage among migrants earning more than T must be bigger than T. Unsurprisingly, a higher threshold means a higher average salary among migrants who meet the threshold.

### Impacts of changing salary threshold on aggregate employment and wages

J.10 Now consider the impact on the number of workers and the average wage in the UK as a whole, not just migrants. First define  $s(T)$  to be the share of migrants at threshold T which is given by:

$$s(T) = \frac{N(T)}{N(T) + N_{UK}} \quad (11)$$

J.11 The impact of changing the threshold on the share of migrants is given by:

$$\frac{\partial s(T)}{\partial T} = s(T) [1 - s(T)] \frac{\partial \log N(T)}{\partial T} \quad (12)$$

J.12 The average aggregate wage with threshold  $T$  can be written as:

$$w^a(T) = s(T) \bar{w}(T) + [1 - s(T)] w_{UK} \quad (13)$$

J.13 How the threshold changes that is given by:

$$\frac{\partial w^a(T)}{\partial T} = \frac{\partial s(T)}{\partial T} [\bar{w}(T) - w_{UK}] + s(T) \frac{\partial \bar{w}(T)}{\partial T} \quad (14)$$

J.14 Using (12) and (9), (14) can be written as:

$$\begin{aligned}\frac{\partial w^a(T)}{\partial T} &= -\frac{\partial \log N(T)}{\partial T} \left\{ -s(T) [1 - s(T)] [\bar{w}(T) - w_{UK}] + s(T) [\bar{w}(T) - T] \right\} \\ &= -\frac{\partial \log N(T)}{\partial T} s(T) [w^a(T) - T]\end{aligned}\quad (15)$$

J.15 This is a long way of reaching the formula showing that whether the average aggregate wage goes up or down depends on whether the threshold is larger or smaller than the average UK salary. Note that using (13) is an alternative way to write (15):

$$\frac{\partial w^a(T)}{\partial T} = -\frac{\partial \log N(T)}{\partial T} s(T) \{s(T)[\bar{w}(T) - T] + (1-s(T))[w_{UK} - T]\} \quad (16)$$

J.16 The first term in curly brackets must be positive, but the second term could be negative even if the threshold is set below average full-time UK earnings because of the presence of part-timers.

J.17 The impact of a change in the threshold on the non-working population in this model is zero by assumption. So, the change in employment can be used to work out the change in population and the ratio of employment to population. But once we allow for dependants then this needs to change.

## Non-Working Dependants

J.18 Suppose there are  $D_{UK}$  non-working dependants in the UK groups (one could split this up to working age and non-working age) and  $D_M$  dependants of the EEA migrants in total in the baseline. To work out how the change in the threshold affects the number of their dependants we need to know how many dependants on average, an EEA migrant earning  $w$  has – denote this by  $d(w)$ . Adding-up requires that:

$$D_M = M \int d(w) f(w) dw \quad (17)$$

J.19 Denote by  $D_M(T)$  the number of dependants of EEA migrants if a threshold of  $T$  is imposed. We have:

$$D_M(T) = M \int_T d(w) f(w) dw \quad (18)$$

J.20 Denote by  $\bar{d}(T)$  the average number of dependants per migrant at threshold  $T$ . This is given by:

$$\bar{d}(T) = \frac{M \int_T d(w) f(w) dw}{N(T)} \quad (19)$$

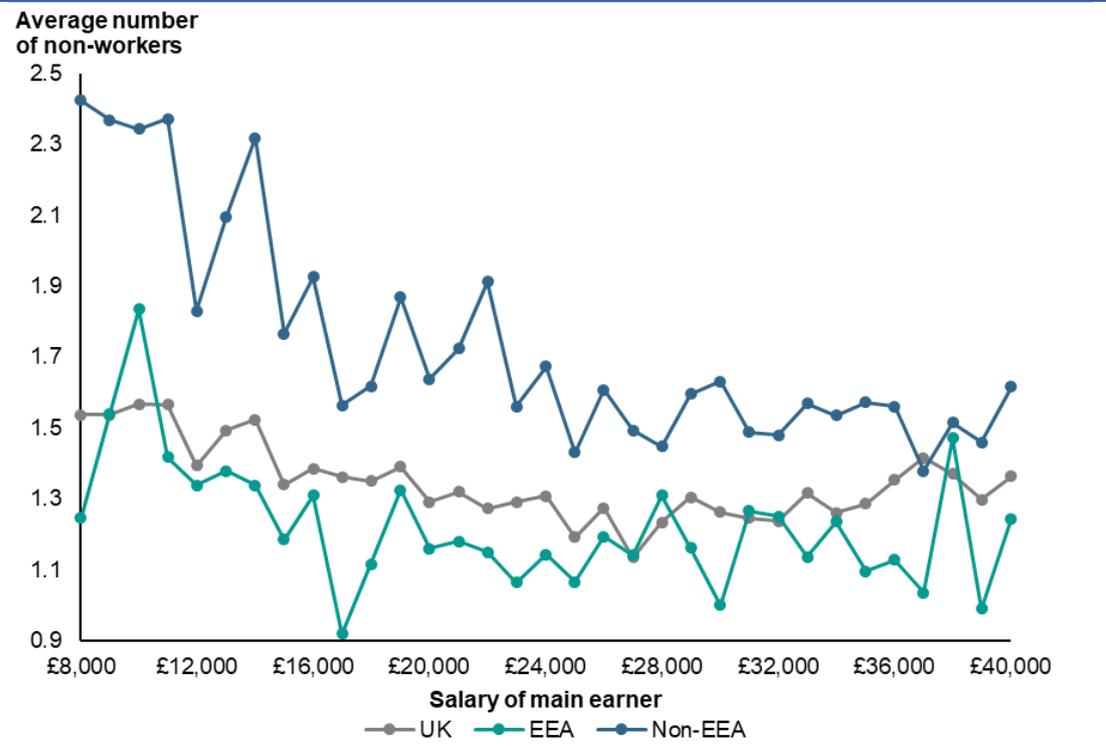
J.21 How  $D_M(T)$  changes with the threshold is, using (18) and (19), given by:

$$\frac{\partial \log D_M(T)}{\partial T} = -\frac{Md(T)f(T)}{D_M(T)} = \frac{\partial \log N(T)}{\partial T} \frac{d(T)}{\bar{d}(T)} \quad (20)$$

i.e. the proportional change in the number of dependant migrants is greater than or equal to the proportional change in the number of workers according to whether the marginal migrants have more, or less, dependants than the average.

J.22 Figure J.1 below shows the average number of non-working dependants  $d(w)$  as a function of the salary of the primary earner. The data for this comes from the pooled APS for 2016-8 and where the primary earner is defined as the highest earner within a household who works in a RQF3+ occupation. We present the average number of non-working dependants not just for EEA migrants but also for the UK-born and non-EEA as well. Migrant status is defined here as country-of-birth rather than nationality, as in the analysis in the main report, to enable a comparison with non-EEA migrants.

**Figure J.1: The average number of non-working dependants by salary of primary earner**



Notes: MAC calculations using 3-year APS 2016-18

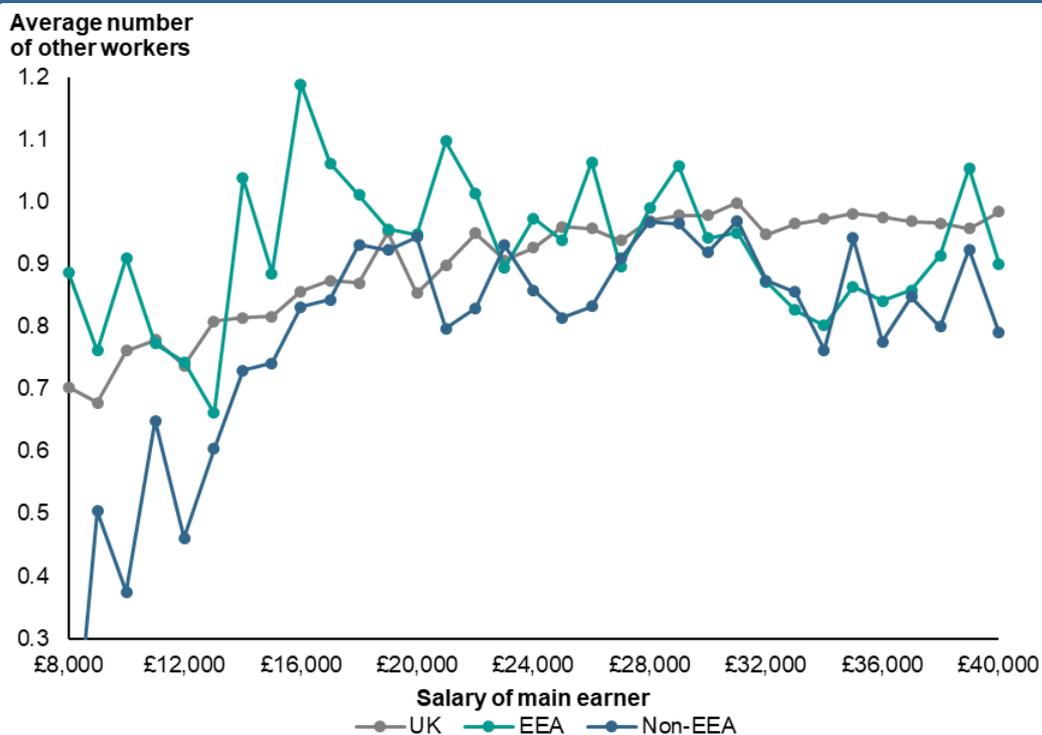
J.23 From Figure J.1 one can see that for UK-born and EEA the number of non-working dependants does not vary very much with salary of the primary earner and averages slightly above one. For non-EEA the average is higher and highest for low earners. This probably reflects the fact that low-earning non-EEA migrants often have non-working partners and relatively high fertility rates.

J.24 The next layer of complexity is to allow for the fact that there are some working dependants.

## Working Dependants

- J.25 Now we have to define  $M$  to be the total number of EEA households with at least one earner and  $w$  to be the salary of the primary earner.
- J.26 We now need to introduce some more concepts. First, let  $n_d(w)$  to be the average number of earners per household where the highest earner earns  $w$  (excluding the primary earner). Figure J.2 below plots the average number of secondary workers,  $n_d(w)$ , against the salary of the primary earner.

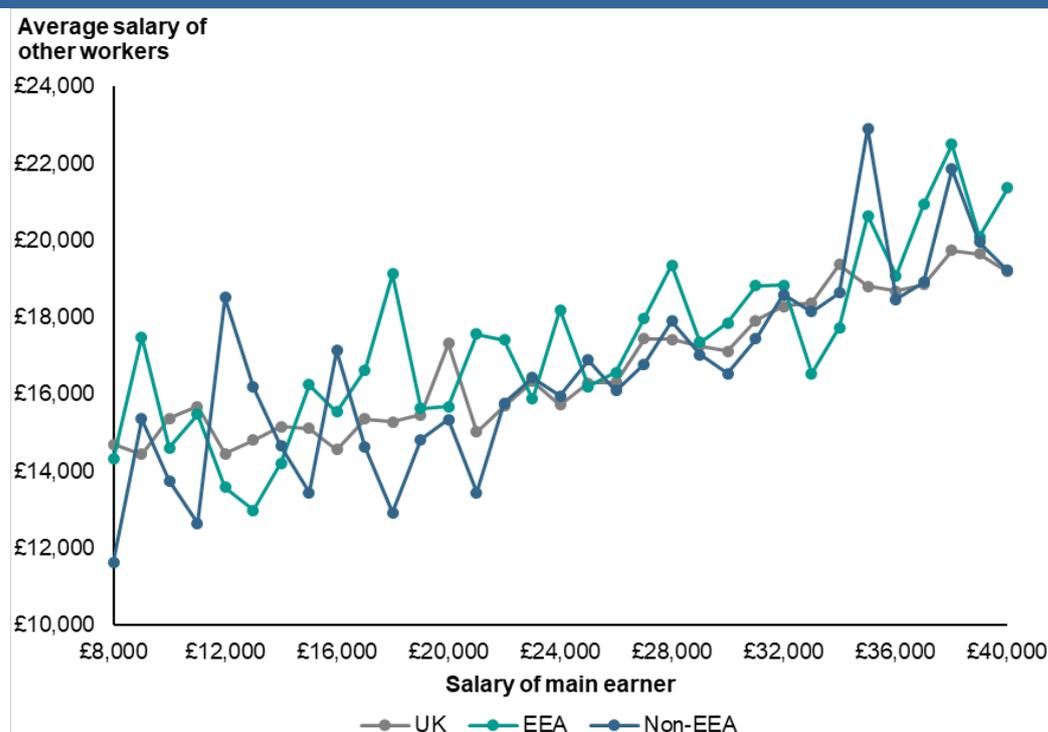
**Figure J.2: The average number of working dependants by salary of primary earner**



Notes: MAC calculations using 3-year APS 2016-18

- J.27 Households with a low main earner salary are likely to have fewer earners but after about £20,000 the average is about 0.9 for all groups.
- J.28 It is not just the number of secondary workers that is of interest but how much they earn. Figure J.3 below shows how much these secondary earners earn on average.

**Figure J.3: The average salary of secondary workers by salary of primary earner**



Notes: MAC calculations using 3-year APS 2016-18

**J.29** For all groups this relationship is very similar. There are a number of points worth noting. First, secondary earners earn less than primary earners (almost by definition): for example, if the primary earner earns £30,000, the average salary for secondary earners is about £18,000. Second, that the average earnings of secondary earners rise with the salary of the primary earner, but less than 1-for-1. This is likely to be because of assortative matching within households in which, for example, people tend to live with others with a similar level of education.

**J.30** To work out how this affects earlier results, let  $w_d(w)$  be the average salary of these secondary earners when the primary earner earns  $w$ . A salary threshold of  $T$  the total number of migrant workers who are eligible,  $N_d(T)$  will be given by:

$$N^d(T) = N(T) + M \int_T n_d(w) f(w) dw \quad (21)$$

**J.31** Define  $\bar{n}_d(T)$  to be the average number of secondary earners per household if salary threshold is  $T$ . This is given by:

$$\bar{n}_d(T) = \frac{M \int_T n_d(w) f(w) dw}{N(T)} \quad (22)$$

Then (21) implies that:

$$N^d(T) = [1 + \bar{n}_d(T)]N(T) \quad (23)$$

J.32 The proportional impact of a change in the salary threshold on the total number of workers can then be written as:

$$\frac{\partial \log N^d(T)}{\partial T} = \frac{\partial \log N(T)}{\partial T} + \frac{1}{[1 + \bar{n}_d(T)]} \frac{\partial \bar{n}_d(T)}{\partial T} \quad (24)$$

J.33 The first term is the simple formula, the second term from changes in the average number of dependents with the salary threshold. Using (22) the final derivative in (24) can be written as:

$$\frac{\partial \bar{n}_d(T)}{\partial T} = -\frac{Mn_d(T)f(T)}{N(T)} - \frac{M \int_T n_d(w)f(w)dw}{N(T)} \frac{\partial \log N(T)}{\partial T} \quad (25)$$

And this can be written as:

$$\frac{\partial \bar{n}_d(T)}{\partial T} = \frac{\partial \log N(T)}{\partial T} [n_d(T) - \bar{n}_d(T)] \quad (26)$$

Substituting (26) into (24) leads to:

$$\frac{\partial \log N^d(T)}{\partial T} = \frac{\partial \log N(T)}{\partial T} \frac{1 + n_d(T)}{[1 + \bar{n}_d(T)]} \quad (27)$$

J.34 So that how the total number of workers changes compares to the change in the number of primary earners depends on whether, at the margin, households affected by the change in thresholds have more secondary earners than the average. From Figure J.2,  $\bar{n}_d(T)$  does not vary very much with the salary threshold so this second term will be approximately one meaning that the presence of the dependants does not alter earlier conclusions very much.

J.35 Now consider how average wages for the migrants are affected by changes in salary thresholds. First define  $\bar{w}_d(T)$  to be the average earnings of secondary earners at salary threshold  $T$ : this will be given by:

$$\bar{w}_d(T) = \frac{\int_T w_d(w)n_d(w)f(w)dw}{\int_T n_d(w)f(w)dw} \quad (28)$$

J.36 How this changes with the salary threshold can be written as:

$$\begin{aligned}
\frac{\partial \log \bar{w}_d(T)}{\partial T} &= -\frac{w_d(T)n_d(T)f(T)}{\int_T w_d(w)n_d(w)f(w)dw} + \frac{n_d(T)f(T)}{\int_T n_d(w)f(w)dw} \\
&= -\frac{n_d(T)f(T)}{\int_T n_d(w)f(w)dw} \frac{[w_d(T) - \bar{w}_d(T)]}{\bar{w}_d(T)} \\
&= -\frac{Mn_d(T)f(T)}{N(T)\bar{n}_d(T)} \frac{[w_d(T) - \bar{w}_d(T)]}{\bar{w}_d(T)} = \frac{\partial \log N(T)}{\partial T} \frac{n_d(T)}{\bar{n}_d(T)} \frac{[w_d(T) - \bar{w}_d(T)]}{\bar{w}_d(T)}
\end{aligned} \tag{29}$$

**J.37** Define  $\bar{w}_M(T)$  to be average earnings of the migrants across both primary and secondary migrant workers: this can be written as:

$$\bar{w}_M(T) = \frac{\bar{w}(T) + \bar{n}_d(T)\bar{w}_d(T)}{1 + \bar{n}_d(T)} \tag{30}$$

Differentiating this leads to:

$$\frac{\partial \log \bar{w}_M(T)}{\partial T} = \frac{1}{1 + \bar{n}_d(T)} \frac{\partial \log \bar{w}(T)}{\partial T} + \frac{\bar{n}_d(T)}{1 + \bar{n}_d(T)} \frac{\partial \log \bar{w}_d(T)}{\partial T} + \frac{(\bar{w}_d(T) - \bar{w}(T))}{(1 + \bar{n}_d(T))^2 \bar{w}_M(T)} \frac{\partial \bar{n}_d(T)}{\partial T} \tag{31}$$

**J.38** The shows that the total change in migrant earnings can be written as a weighted average of the change in the average earnings of the primary and secondary earners, plus a term that represents the change in the ratio of secondary to primary earners. This matters if these two groups have differences in average wages (which they will by construction of the definition of primary and secondary earners). The individual components of (31) can be found from earlier equations. The third term in (31) will be approximately zero as the number of dependants does not vary very much with the level of salary of the primary earner. Because the average salary of secondary earners rises less than 1-for-1 with the salary of the primary earner, the average wage of all migrants will vary less than 1-for-1 with the salary threshold and will always be lower than the salary threshold. This can be seen in Figure J.4 which shows how the average salary varies with salary of main earner.

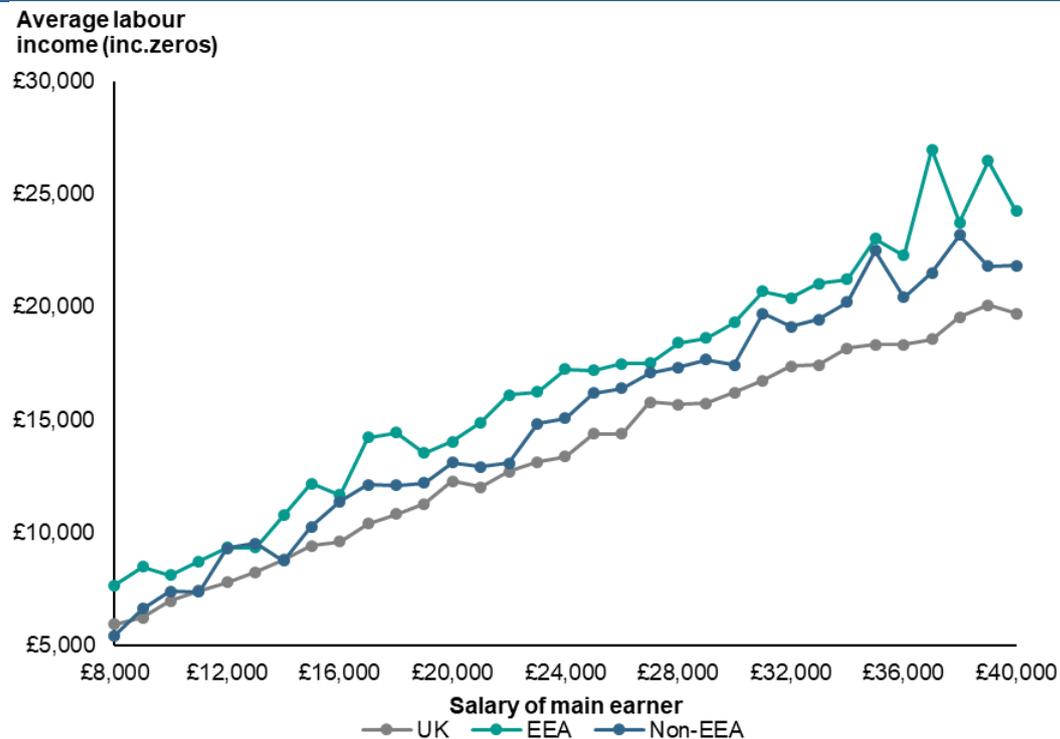
**Figure J.4: The average salary of primary and secondary workers combined by salary of primary earner**



Notes: MAC calculations using 3-year APS 2016-18

- J.39** The most important implication for this is that if one had a target for the average salary of migrants (perhaps the average level of earnings) a salary threshold higher than that level is required to deliver it. For example, if one wanted to ensure that migrants raise the average salary of around £26,000 then you need a salary threshold of £30,000 – this is higher because the secondary earners, on average, earn less than the main earner.
- J.40** For looking at the impact on GDP per capita, it is necessary to consider how average labour income across both workers and non-workers varies the salary of the primary earner. This is shown in Figure J.5.

**Figure J.5: Average labour income across workers and non-workers by salary of primary earner**



Notes: MAC calculations using 3-year APS 2016-18

J.41 This is a lot lower than salary of main earner because of the non-workers. If one wanted to ensure migration raises average labour income over everyone (which is £13,000) this suggests a low salary threshold of about £18,000. If one uses the average labour income over everyone excluding those of retirement age then that would be a salary threshold in the low £20,000s. These salary thresholds are low because all these households have at least one worker by definition. But, as discussed in the main report these numbers can change a lot if one factors in the fact that, after getting indefinite leave to remain, even the person who was the primary earner need not be in work and if they remain in the UK after retirement everyone will have a lengthy period with zero labour income. On the other hand, there might be significant pay growth once in the UK. Computing these effects is very challenging without high quality longitudinal data, so it is very hard to quantify these risks and we make no attempt to do so here.

J.42 This annex has provided the analytical foundation for the use of the marginal approach described in Chapter 6. As discussed in Chapter 6, the rules of thumb that emerge from it seem to work well in practice compared to other modelling approaches, meaning that it is a useful tool for considering the likely impacts of salary thresholds.

## Annex K: MAC Call for Evidence Questions for individual organisations

### Summary

This document provides the list of questions contained in the MAC Call for Evidence questionnaire. This is to help you gather your responses only, please use the online tool to submit your responses.

The questions below are for organisations or businesses providing views related to their own organisations. Representative or member organisations please refer to Annex L.

Please note that the question numbers may vary to the online questionnaire, this is because some of the questions have been routed.

### Questions

<b>About you</b>
1. What is the name of your organisation?
2. What is your email address?
3. Which of the following options best describe your reason for completing this form? <ul style="list-style-type: none"><li>• I am providing evidence of recruitment and salaries within my own organisation</li><li>• I am providing evidence of recruitment and salaries in the sector, on behalf of other organisations/members or as a recruitment business.</li><li>• I am providing evidence of recruitment and salaries within my own organisation</li><li>• I am providing evidence of recruitment and salaries in the sector, on behalf of other organisations/members or as a recruitment business.</li></ul>
<i>The questions that follow in this form are for those that have chosen the first option in question 3.</i>
<b>About your organisation</b>
4. Which of the following best describes your organisation? <ul style="list-style-type: none"><li>• Private sector</li><li>• Public sector</li><li>• Third sector</li></ul>

- Other (please specify)

5. Which sector best describes your organisation/business? If multiple sectors apply, please select the one that best describes the largest component of business/organisation (by employment).

- Agriculture, Forestry and Fishing
- Mining and Quarrying
- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Water supply, sewerage, waste management and remediation activities
- Construction
- Wholesale and retail trade; repair of motor vehicles and motorcycles
- Transportation and storage
- Accommodation and food service activities
- Information and communication
- Financial and insurance activities
- Real estate activities
- Professional, scientific and technical activities
- Administrative and support service activities
- Public administration and defence; compulsory social security
- Education
- Human health and social work activities
- Arts, entertainment and recreation
- Other service activities
- Activities of households as employers; undifferentiated goods-
- Activities of extraterritorial organisations and bodies

If you are unsure of the sector that best describes your organisation, please refer to the link below for more detailed descriptions of sectors and which sector group (A-U) they belong to:

<http://resources.companieshouse.gov.uk/sic/>

6. Approximately how many people does your organisation/business employ in the UK?

- 0-9 employees
- 10-49 employees
- 50-249 employees
- 250-499 employees
- 500+ employees

7. In which region/country of the UK are the largest proportion of your employees located?

- North East
- North West
- Yorkshire and the Humber
- East Midlands
- West Midlands
- East of England
- London
- South East
- South West
- Scotland
- Wales
- Northern Ireland
- England
- UK wide

#### Employment of migrant workers

8. Over the previous 5 years has your organisation recruited: (Please select all that apply)

*[Workers from EEA countries: the EEA includes European Union (EU) countries plus Iceland, Liechtenstein and Norway. We also include Switzerland as part of our definition.]*

*Workers from non-EEA countries: workers from outside of EU countries plus Iceland, Liechtenstein, Norway and Switzerland.]*

- UK and/or Irish workers
- Workers from EEA countries outside of the UK and/or Ireland
- Workers from non-EEA countries
- Don't know

9. Over the next 12 months are you likely to recruit: (Please select all that apply)

- UK and/or Irish workers
- Workers from EEA countries outside of the UK and/or Ireland
- Workers from non-EEA countries
- Don't know

#### Experience of Tier 2 (General) visa

*Questions 10- 17 are only applicable if you have answered 'workers from non-EEA countries' in question 8, others should complete question 18 onwards.*

10. Were the non-EEA workers recruited under the Tier 2 (General) visa system?
- Yes, all
  - Yes, some
  - No
  - Don't know

11. Are you currently licensed to sponsor workers under Tier 2 (General) visa?
- Yes
  - No
  - Don't know

12. Are the salaries required by the immigration rules for the Tier 2 (General) visa generally:
- Higher than what you would normally pay
  - About the same
  - Lower than what you would normally pay
  - Don't know

*Question 13 is only applicable to those that have chosen the first (higher than what you would normally pay) or third option (lower than what you would normally pay) in the question 12. Others should complete question 14 onwards.*

13. In the previous question you indicated that the Tier 2 (General) salary thresholds were either higher or lower than you would normally pay. What has been the impact of this, have you done anything as a result? If so, what? (in 200 words)

14. Have you experienced any issues with Tier 2 (General) visa salary requirements? If so what issues? (in 200 words)

15. Have any of your Tier 2 (General) visa sponsored employees applied or tried to apply for settlement?
- Yes
  - No
  - Don't know

## **Settlement**

*Migrants on Tier 2 (General) visas are eligible to apply for settlement (indefinite leave to remain) after 5 years in the UK. Those migrants coming to the UK on or after the 6th April 2011 have also had to meet a minimum salary threshold, currently £35,800,*

*in order to be successful in their application for settlement. There is an exemption to this salary threshold for migrants employed in shortage occupations.*

16. Of the Tier 2 (General) visa sponsored employees who have tried/applied for settlement, is the current income threshold (£35,800) generally:
- Above their current salary
  - About the same as their current salary
  - Below their current salary

17. Please provide your views of Tier 2 (General) visa settlement income requirements (in 200 words).

*The following questions should be answered by everyone.*

### **Salary thresholds**

*Our commission from the government asks us to consider both the mechanism for setting minimum salary thresholds and the appropriate level.*

18. To what extent do you agree or disagree with the following statements: (*strongly agree, agree, neither agree nor disagree, disagree, strongly disagree*)
- There should not be a minimum salary threshold above the legal requirement like the national minimum wage
  - If there is a salary threshold it should be applied universally across the economy and UK, with a few exceptions to keep the system simple
  - If there are salary thresholds, there need to be a variety to reflect employer needs

If you have an alternative model you wish to describe, please explain it here (in 200 words):

19. If there were tailored salary thresholds, to what extent do you agree that they should be varied by: (*strongly agree, agree, neither agree nor disagree, disagree, strongly disagree*)
- Sector
  - Region/country
  - New entrants/young workers
  - Occupation

If you consider that they should be varied by another characteristic, please explain more here (in 200 words)

20. Do you think jobs judged to be in shortage (such as those on the Shortage Occupation List) should have:
- Higher salary thresholds compared to those not in shortage
  - The same salary thresholds compared to those not in shortage

- Lower salary thresholds compared to those not in shortage
- Don't know

21. Do you think having a salary threshold equivalent to the 25th percentile of the full-time pay distribution for employees in that occupation is: *[25th percentile: 75% of full-time employees in an occupation earn the threshold amount or more, and 25% earn less]*

- Too high
- About right
- Too low
- Don't know

Please explain your answer (in 200 words)

22. Do you think having a minimum salary requirement of £30,000 for an experienced full-time employee is:

- Too high
- About right
- Too low
- Don't know

Please explain your answer (in 200 words)

23. What do you think should be counted towards the salary for assessing whether an individual meets the threshold? *(Please select all that apply)*

- Commission
- Company car/travel allowance
- Employee equity ownership schemes
- Housing allowances
- Part-time working patterns
- Pension contributions

Other cash/non-cash remuneration please specify: (in 200 words)

24. Following on from the previous question, please list your responses in order of importance with 1 being the most important and 6/7 being the least important.

25. Are there any other issues we should consider? (in 200 words)

### **Recruitment and Salary Thresholds**

In the section that follows we will ask you to list up to 10 jobs in your organisation done by migrant workers and to provide information for each job listed on associated

starting salaries, expected salary increases and what you think would be an appropriate minimum salary threshold.

In order for us to be able to make valid comparisons it is important that you match as closely as possible the job you have in mind to the correct 4-digit SOC code. To do this we recommend you make use of the Office for National Statistics Occupation Coding Tool, linked below.

[https://onsdigital.github.io/dp-classification-tools/standard-occupational-classification/ONS\\_SOC\\_occupation\\_coding\\_tool.html](https://onsdigital.github.io/dp-classification-tools/standard-occupational-classification/ONS_SOC_occupation_coding_tool.html)

## How to use the ONS Occupation Coding Tool

Step 1: Follow the link and enter the name of the job you want to find an occupation code for in the text box highlighted below.

ONS Occupation Coding Tool - Microsoft Edge

https://onsdigital.github.io/dp-classification-tools/standard-occupational-classification/ONS\_SOC\_occupation

Office for National Statistics

### ONS Occupation Coding Tool

**What is this?**

This Occupation Code Search Tool has been developed to assist users to code occupation titles. It matches inserted text against the Standard Occupational Classification 2010 (SOC2010) Volume 2 coding index. If you would like to use the version of this tool designed for mobile phones, please click here.

If a match cannot be found it is either because the search term is uniquely stylised and not suitable for a coding index, or it is a new or emerging occupation title. If you search for an occupation title that you consider appropriate for inclusion in the index, please contact the Occupation and Social Classification Helpdesk with your proposal.

**If you have an occupation code** and want to know more about it, please type into this box and click the button  **Show specific SOC**

**If you need to find an occupation code**, please type your occupation title into the box below.

When the search is complete, the results presented are an aid to help you select the code you deem appropriate. Please click on the result links to confirm if a code is appropriate, and to find your related NS-SEC code.

If the Coding Tool does not provide an appropriate result, it might be beneficial to amend your search term and try searching again, or the Occupational Classification Hierarchy may assist in determining the correct code.

**Note:** The search facility does not allow punctuation or symbols, and the search time is dependent on the speed of your computer and the number of words searched for.

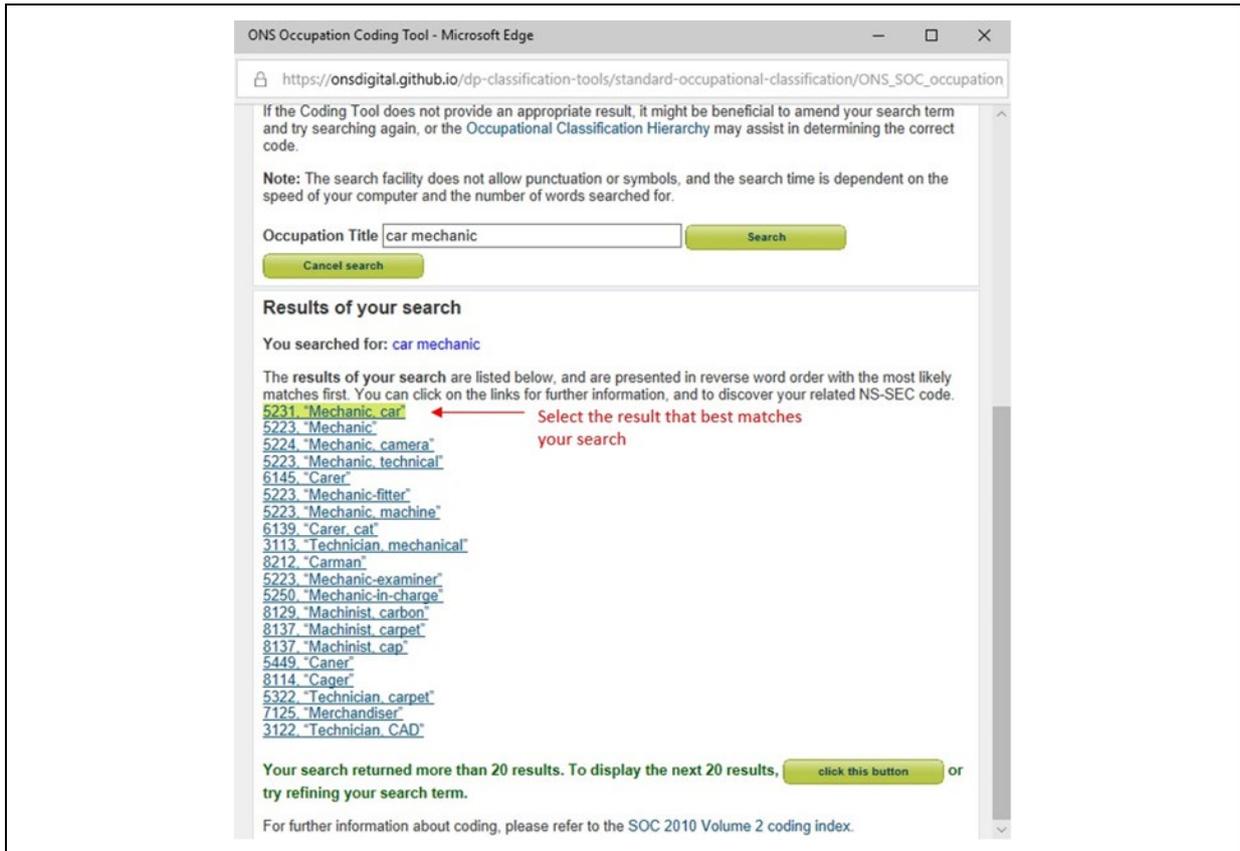
Occupation Title

**Results of your search**

Insufficient text provided in search box.

Type in the name of the role that you want to find an occupation code for

Step 2: Select the result that best matches your search.



Step 3: Check the match by reviewing the description of the occupation code, the tasks required, and the jobs related with that code.

ONS SOC specific unit/minor/major group details - Microsoft Edge

https://onsdigital.github.io/dp-classification-tools/standard-occupational-classification/data/SingleClass.html?soc=52:

**5231: VEHICLE TECHNICIANS, MECHANICS AND ELECTRICIANS**

**Job description:**  
 Vehicle technicians, mechanics and electricians accept calls for help and repair and service the mechanical parts and electrical/electronic circuitry and components of cars, lorries, buses, motorcycles and other motor vehicles, and repair and service auto air-conditioning systems.

**Entry requirements of this job:**  
 There are no formal academic entry requirements, although some employers may require GCSEs/S grades or an equivalent qualification. Training is undertaken off- and on-the-job. NVQs/SVQs at Levels 2 and 3 are available. Apprenticeships at NVQ/SVQ Levels 2 and 3 are available and take three to four years to complete.

**Tasks required by this job include:**

- visually checks, test drives or uses test equipment to diagnose engine and mechanical faults;
- removes, dismantles, repairs and replaces defective parts and prepares new parts using appropriate tools;
- reassembles, tests, adjusts and tunes the appropriate parts, systems or entire engine;
- carries out routine maintenance checks on oil and air filters, brakes and other vehicle parts/systems;
- diagnoses faults in electrical/electronic circuitry, removes faulty components and fits replacements;
- checks condition of electrical/electronic systems and carries out servicing tasks;
- installs additional electrical amenities such as radio/CD players, aerials;
- repairs and services air conditioning, heating and engine-cooling systems.

**NS-SEC categorisations:**  
 The simplified NS-SEC analytic class for this code is 5  
 The simplified NS-SEC operational category for this code is 11.1  
 To find your exact NS-SEC code, please use the NS-SEC Coding Tool.

**Jobs related to this code:**

- Auto electrician
- Car mechanic
- HGV mechanic
- Mechanic (garage)
- MOT tester
- Motor mechanic
- Motor vehicle technician
- Technician (motor vehicles)

**This unit group is part of:**

- Minor Group 523: VEHICLE TRADES
- Sub-Major Group 52: SKILLED METAL, ELECTRICAL AND ELECTRONIC TRADES
- Major Group 5: SKILLED TRADES OCCUPATIONS

Step 4: If you are unhappy with the match suggested by the tool, go back to step 2 and select another suggested match and/or go back to step one and alter your search term.

*In this example we are happy with the match and can conclude that the job "Car Mechanic" is associated with occupation code 5231*

26. Please tell us which occupations you are most likely to recruit migrant workers for. We are interested in the jobs done by migrant workers in your organisation and how they might be affected by salary thresholds. Using the Office for National Statistics (ONS) Occupation Tool, we ask you to list up to 10 jobs and to provide information for each job on the corresponding starting salaries, expected salary increases and what you think would be an appropriate minimum salary threshold.

### Australian points-based System

27. The Government is considering adopting an Australian type points-based System. In your opinion, please tell us the relative importance of the following characteristics typically used to award points to migrants by ranking them where 1 is the most important and 8/9 is the least important.

- Language proficiency
- Having studied in the UK

- Work experience
- Age
- Education attainment
- Having a job offer
- Salary
- Priority occupations

Other please specify, (in 200 words):

### **MAC Stakeholder database**

28. Would you like to be added to our stakeholder database for future research purposes and updates on MAC work?

- Yes
- No

29. We may require follow-up to clarify or supplement your responses to the online form, or for follow-up research. Do you consent to be contacted to clarify or supplement your responses?

- Yes
- No

**This is the end of the form**

## Appendix L: MAC Call for Evidence Questions for representative organisations

### Summary

This document provides the set of questions contained in the MAC Call for Evidence questionnaire. This is to help you gather your responses only, please use the online tool to submit your responses.

The questions below are for representative organisations providing their views on behalf of other organisations.

Please note that the question numbers may vary to the online questionnaire, this is because some of the questions have been routed.

### Questions

<b>About you</b>	
1.	What is the name of your organisation?
2.	What is your email address?
3.	Which of the following options best describe your reason for completing this form? <ul style="list-style-type: none"><li>• I am providing evidence of recruitment and salaries within my own organisation</li><li>• I am providing evidence of recruitment and salaries in the sector, on behalf of other organisations/members or as a recruitment business.</li></ul>
<i>The questions that follow in this form are for those that have chosen the second option in question 3.</i>	
<b>About your organisation</b>	
4.	Which of the following best describes your organisation? <ul style="list-style-type: none"><li>• Private sector</li><li>• Public sector</li><li>• Third sector</li><li>• Other (please specify)</li></ul>
5.	How many businesses /organisations do you represent? <ul style="list-style-type: none"><li>• Under 5</li><li>• 5- 49</li><li>• 50- 499</li></ul>

- 500- 5,000
- 5,000+

### About the businesses/organisations you represent

6. How have you engaged the businesses/ organisations you represent to inform this consultation response?
- Ongoing dialogue as part of business as usual
  - Specific events/contact arranged to discuss this consultation
  - Other (please specify):

7. Thinking of the businesses/organisations you have engaged with, in general are their staff concentrated in specific UK countries/regions or are they nation-wide?
- Concentrated
  - Nation-wide

*Question 8 on this form is only applicable if you have chosen the first option in question 7 (concentrated). For those that chose the second option (nation-wide) please answer question 9 onwards.*

8. Following on from the previous question, which regions(s)/country(ies) are staff concentrated?
- North East
  - North West
  - Yorkshire and the Humber
  - East Midlands
  - West Midlands
  - East of England
  - London
  - South East
  - South West
  - Scotland
  - Wales
  - Northern Ireland
  - England

9. Thinking of the businesses/organisations you engage with, tick all the relevant sectors they cover from the list below: *(Please select all that apply)*

*For more information about the sectors please refer to the link below:*  
<http://resources.companieshouse.gov.uk/sic/>

- Agriculture, Forestry and Fishing

- Mining and Quarrying
- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Water supply, sewerage, waste management and remediation activities
- Construction
- Wholesale and retail trade; repair of motor vehicles and motorcycles
- Transportation and storage
- Accommodation and food service activities
- Information and communication
- Financial and insurance activities
- Real estate activities
- Professional, scientific and technical activities
- Administrative and support service activities
- Public administration and defence; compulsory social security
- Education
- Human health and social work activities
- Arts, entertainment and recreation
- Other service activities
- Activities of households as employers; undifferentiated goods-
- Activities of extraterritorial organisations and bodies

10. Thinking of the businesses/organisations you engage with and their number of employees, tick all size bands that they cover:

- 0-9 employees
- 10-49 employees
- 50-249 employees
- 250-499 employees
- 500+ employees

11. Thinking about the businesses/organisations you engage with, are the majority roughly of a similar size in terms of the number of employees (e.g. most SMEs or most large organisations)?

- Yes
- No

*Question 12 is only applicable if you have answered yes to question 11, if you have answered no please answer question 13 onwards.*

12. Thinking of the businesses/organisations you engage with and their number of employees which size band(s) are they concentrated in?

- 0-9 employees
- 10-49 employees

- 50- 499 employees
- 500+ employees

### Employment of migrant workers

13. To your knowledge, have the organisations you have engaged with recruited any of the following workers in the past 5 years: *(Please select all that apply)*  
*[Workers from EEA countries: the EEA includes all European Union (EU) countries plus Iceland, Liechtenstein and Norway. We also include Switzerland as part of our definition. Workers from non-EEA countries: workers from outside of EU countries plus Iceland, Liechtenstein, Norway and Switzerland.]*

- UK and/or Irish workers
- Workers from EEA countries outside of the UK and/or Ireland
- Workers from non-EEA countries
- Don't know

14. In the next 12 months are they likely to recruit: *(Please select all that apply)*

- UK and/or Irish workers
- Workers from EEA countries outside of the UK and/or Ireland
- Workers from non-EEA countries
- Don't know

### Experience of Tier 2 (General) visa

*Questions 15- 20 are only applicable if you have answered 'workers from non-EEA countries' to question 13, others should complete question 21 onwards.*

15. Following on from the previous question, were these non-EEA workers recruited under the Tier 2 (General) visa system?

- Yes some
- Yes all
- No
- Don't know

16. Are the salaries required by the Tier 2 (General) immigration rules generally:

- Higher than what they would normally pay
- About the same
- Lower than they what would normally pay
- Don't know

17. Have the organisations that you represent experienced any issues with Tier 2 (General) visa salary requirements? If so, what were they? *(In 200 words)*

18. Have any of the Tier 2 (General) visa employees employed by your members (or organisations you represent) applied or tried to apply for settlement?
- Yes
  - No
  - Don't know

*Question 19 and 20 are only applicable if you have answered 'yes' in question 18, others should complete question 21 onwards.*

*Migrants on Tier 2 (General) visas are eligible to apply for settlement (indefinite leave to remain) after 5 years in the UK. Those migrants coming to the UK on or after the 6th April 2011 have also had to meet a minimum salary threshold, currently £35,800, in order to be successful in their application for settlement. There is an exemption to this salary threshold for migrants employed in shortage occupations.*

19. In general, was the settlement income threshold (currently £35,800)?
- Above their current salary
  - About the same as their current salary
  - Below their current salary
  - Don't know

20. Please provide any additional views of Tier 2 (General) visa settlement  
(In 200 words)

*The following questions should be answered by everyone.*

### **Salary thresholds**

*Our commission from the government asks us to consider both the mechanism for setting minimum salary thresholds and the appropriate level.*

21. To what extent would the businesses/organisations you have engaged with agree or disagree with the following statements: (*strongly agree, agree, neither agree nor disagree, disagree, strongly disagree*)
- There should not be a minimum salary threshold above the legal requirement (the national minimum wage)
  - If there is a salary threshold it should be applied universally across the economy and UK, with a few exceptions to keep the system simple
  - If there are salary thresholds, there need to be a variety to reflect employer needs

If you have an alternative model you wish to describe, please explain it here (*in 200 words*)

22. If there were tailored salary thresholds, to what extent would the businesses/organisations you have engaged with agree that they should be

varied by: (*strongly agree, agree, neither agree nor disagree, disagree, strongly disagree*)

- Sector
- Region/country
- New entrants/young workers
- Occupation

If you consider that they should be varied by another characteristic, please explain more here (*in 200 words*)

23. Do the businesses/organisations you engage with most commonly think that jobs judged to be in shortage (such as those on the Shortage Occupation List) should have:

- Higher salary thresholds compared to those not in shortage
- The same salary thresholds compared to those not in shortage
- Lower salary thresholds compared to those not in shortage
- Don't know

24. Do the businesses/organisations you engage with most commonly think that having a salary threshold equivalent to the 25th percentile of the full-time pay distribution for employees in that occupation is: [*25th percentile: 75% of full-time employees in an occupation earn the threshold amount or more, and 25% earn less*]

- Too high
- About right
- Too low
- Don't know

Please explain your answer (*in 200 words*)

25. Do the businesses you engage with most commonly think that having a minimum salary requirement of £30,000 for an experienced full-time employee is:

- Too high
- About right
- Too low
- Don't know

Please explain your answer (*in 200 words*)

26. What do you think should be counted towards the salary for assessing whether an individual meets the threshold? (*Please select all that apply*)

- Company car/ travel allowance
- Pension contributions
- Employee equity ownership schemes
- Part-time working patterns
- Commission
- Housing allowances

Other cash/non-cash remuneration please specify *(in 200 words)*

27. Following on from the previous question, please list your responses in order of importance with 1 being the most important and 6/7 being the least.

28. Are there any other issues we should consider? *(in 200 words)*

29. Please attach any additional evidence you would like us to consider

### **Australian points-based System**

30. The Government is considering adopting an Australian type points-based System. In your opinion, please tell us the relative importance of the following characteristics typically used to award points to migrants by ranking them where 1 is the most important and 8/9 is the least important.

- Language proficiency
- Having studied in the UK
- Work experience
- Age
- Education attainment
- Having a job offer
- Salary
- Priority occupations

Other, please specify

### **MAC stakeholder database**

31. Would you like to be added to our stakeholder database for future research purposes and updates on MAC work?

- Yes
- No

32. We may require follow-up to clarify or supplement your responses to the online form, or for follow-up research. Do you consent to be contacted to clarify or supplement your responses?

- Yes

- No

**This is the end of the form**

## Appendix M: Note on sector aggregation for CfE

Due to small sample sizes, some sectors were aggregated into the following 9 groups (as per LFS aggregation) to allow for greater comparability.

Aggregated sector name	Sector 1	Sector 2	Sector 3	Sector 4
Agriculture, forestry and fishing	Agriculture, forestry and fishing			
Energy and Water	Mining and Quarrying	Electricity, gas, steam and air conditioning supply	Water supply, sewerage, waste management and remediation activities	
Manufacturing	Manufacturing			
Construction	Construction			
Distribution, hotels and restaurants	Wholesale and retail trade, repair of motor vehicles and motorcycles	Accommodation and food service activities		
Transport and communication	Transportation and storage	Information and communication		
Banking and finance	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities
Public admin, education and health	Public Administration and defence, compulsory social security	Education	Human health and social work activities	
Other Services	Arts, entertainment and recreation	Other Service activities	Activities of households as employers, undifferentiated goods and services producing activities of households for own use	Activities of extraterritorial organisations and bodies

## **Glossary of Terms and Abbreviations**

### **APS**

The Annual Population Survey is a continuous household survey, covering the UK, with the aim of providing estimates between censuses of main social and labour market variables at a local area level.

### **ASHE**

Annual Survey of Hours and Earnings is a comprehensive source of information on the structure and distribution of earnings in the UK.

### **BEIS**

Department for Business, Energy, and Industrial Strategy is the government department responsible for business, industrial strategy, science, research and innovation, energy and clean growth, and climate change.

### **CEC**

Canadian Experience Class.

### **CfE**

Call for Evidence to submit information and evidence to the MAC.

### **CRS**

Comprehensive Ranking System – part of the Canadian immigration system.

### **CSAM**

Continuous Survey of Australia's Migrants

### **CV**

Curriculum Vitae

### **DA**

Devolved Administrations

### **DCB**

Designated Competent Body

## **EEA**

Throughout this report we use the term 'EEA' migrants to include European Union (EU) countries plus Iceland, Liechtenstein and Norway. We also include Switzerland as part of our definition, but exclude migrants from the Republic of Ireland, as it will remain part of the Common Travel Area once the UK leaves the EU

## **EFTA**

European Free Trade Association

## **EOI**

Expression of Interest

## **EU**

Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and (currently) UK.

## **FoM**

Freedom of Movement

## **FSWP**

Federal Skilled Workers Program a Canadian immigration route.

## **GDP**

Gross Domestic Product measures the total value of all the goods made, and services provided, during a specific period in a country. It is used to show if and how much the economy is growing.

## **HMRC**

Her Majesty's Revenue and Customs is a government department responsible for the UK's tax, payments and customs.

## **Home Office**

The Home Office is the lead government department for immigration and passports, drugs policy, crime, fire, counter-terrorism and police.

## **HSMP**

Highly Skilled Migrant Programme.

### **ICT**

Intra Company Transfers refers to people who work for multi-national companies and are transferred by their employer from an overseas location to a UK branch of the company. Those from non-EEA countries require a visa to enter the UK and are counted in Home Office Control of Immigration statistics.

### **IDBR**

Inter-Departmental Business Register

### **IHS**

Immigration Health Surcharge is a fee paid by non-EEA nationals coming to live in the UK for longer than 6 months to gain access to the NHS.

### **ISC**

Immigration Skills Charge is an additional charge for each foreign worker recruited by a UK employer.

### **LEO**

Longitudinal Education Outcomes

### **LFS**

The Labour Force Survey is a study of the employment circumstances of the UK population. It is the largest household study in the UK and provides the official measures of employment and unemployment.

### **LTIM**

Long-term International Migration are the official government statistics on migration to and from the UK, produced by ONS by adjustments to the International Passenger Survey.

### **MAC**

Migration Advisory Committee

### **MBA**

Master of Business Administration

### **NHS**

The National Health Service is the publicly funded health care system of the UK.

### **NINo**

National Insurance Number: a unique set of identifying numbers given to all people born in the UK and to non-UK nationals over 16 who are planning to work and/or claim benefits in the UK.

### **NISRA**

Northern Irish Statistics and Research Agencies.

### **NMW**

National Minimum Wage

### **Non-EEA**

Countries outside of the EEA.

### **OBR**

The Office for Budget Responsibility gives independent and authoritative analysis of the UK's public finances. OBR is an executive non-departmental public body, sponsored by HM Treasury.

### **OECD**

Organisation for Economic Co-operation and Development is an international organisation of 33 countries, mostly in North America and Europe. It defines itself as a forum of countries committed to democracy and the market economy.

### **ONS**

Office for National Statistics is the executive office of the UK Statistics Authority, a non-ministerial department which reports directly to Parliament. It produces official statistics on immigration, emigration, and net migration, amongst other areas.

### **PBS**

Points-based system

### **PhD**

The highest university degree that can be conferred after a course of study.

**PNP**

Provincial Nominee Programme (PNP) a programme within the Canadian immigration system.

**Ppt.**

Percentage point(s)

**RLMT**

The resident labour market test requires a UK employer to advertise a job domestically for 28 days, before it can be offered to a foreign worker, if it's not on the shortage occupation list.

**RQF**

Regulated Qualifications Framework England<sup>56</sup>

**RSA**

Regional Skills Assessment area (Scotland)

**RWR**

Red-White-Red card system in the Austrian immigration system.

**SME**

Small and Medium-sized Enterprise

**SOL**

Shortage Occupation List

**UK, United Kingdom**

England, Wales, Scotland and Northern Ireland.

**UKBA**

UK Borders Agency - the border control agency of the Government from 2008 to 2013.

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<sup>56</sup> [http://qfi.org.uk/wp-content/uploads/2016/12/What\\_Does\\_Each\\_Level\\_Mean.pdf](http://qfi.org.uk/wp-content/uploads/2016/12/What_Does_Each_Level_Mean.pdf)

Migration Advisory Committee report

<https://www.gov.uk/government/organisations/migration-advisory-committee>

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