

<p>Title: Impact Assessment for Immigration and Social Security Co-ordination (EU Withdrawal) Bill 2020</p> <p>IA No: HO0346</p> <p>RPC Reference No: N/A</p> <p>Lead department or agency: Home Office</p> <p>Other departments or agencies: Department for Work and Pension</p>	Impact Assessment (IA)
	<p>Date: 29 April 2020</p> <hr/> <p>Stage: Final</p> <hr/> <p>Source of intervention: Domestic</p> <hr/> <p>Type of measure: Primary legislation</p> <hr/> <p>Contact for enquiries: ImmigrationBillTeam@homeoffice.gov.uk</p>
Summary: Intervention and Options	RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
£m	£m	£m	Not applicable	Not applicable

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

EU law provides free movement of EU, EEA and Swiss citizens (referred to collectively throughout this Impact Assessment (IA) as “EEA citizens”) to the UK. The Government has committed to end freedom of movement and introduce a new points-based immigration system from 2021. Ending free movement requires primary legislation to repeal EU law relating to free movement. Without the Immigration and Social Security Co-ordination (EU Withdrawal) Bill (“the Bill”), the Government would not be able to end free movement. The Bill makes EEA citizens and their family members subject to UK immigration controls; contains a power to align the treatment of EEA citizens with non-EEA citizens in consequence of the ending of free movement; and a power to amend the retained social security co-ordination regime and deliver policy changes following the end of the transition period (31 December 2020). Future arrangements, as set out in the published policy statement *The UK’s Points Based Immigration System* on 19 February 2020 will be set out in UK Immigration rules as is the case now for non-EEA citizens and are not part of this Bill.

What are the policy objectives and the intended effects?

The policy objective is to repeal EU law on immigration. The Bill allows for: 1) The end of EU free movement and the immigration status of EEA citizens and their family members to be aligned with non-EEA citizens, 2) The immigration status of Irish citizens to be protected after EEA free movement rights end and 3) Changes to be made to enable amendments to retained EU law relating to social security co-ordination.

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

Primary legislation is the only option (therefore **the Government’s preferred option**) available to make the changes required to achieve the Government’s objectives. No alternatives to primary legislation were considered as these would not meet the Government’s objective to end free movement.

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: N/A						
Does implementation go beyond minimum EU requirements?			N/A			
Is this measure likely to impact on trade and investment?			Yes			
Are any of these organisations in scope?			Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A	Non-traded: N/A		

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:  Date: 29/4/2020

Summary: Analysis & Evidence

Policy Option 1

Description: Introduce the Immigration and Social Security Co-ordination (EU Withdrawal) Bill 2018

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	High: N/A	Best Estimate:

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

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

The details of the future immigration arrangements that will apply to EEA citizens and their family members will be set out in Immigration Rules. They are not set out in the Immigration and Social Security Co-ordination (EU Withdrawal) Bill ("the Bill"). The Bill does not introduce any policy changes on social security coordination. Therefore, the costs of any future system have not been assessed.

The Government published a statement on the *UK's points-based immigration system* on 19 February 2020 detailing arrangements for the delivery of a UK Points-Based immigration system. This impact assessment provides a high-level analysis of the impact of the changes outlined in the document.

A UK points-based immigration system will be delivered from January 2021.

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

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

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

The details of the future immigration arrangements that will apply to EEA citizens and their family members will be set out in Immigration Rules. They are not set out in the Immigration and Social Security Co-ordination (EU Withdrawal) Bill ("the Bill"). The Bill does not introduce any policy changes on social security coordination. Therefore, the costs of any future system have not been assessed.

The Government published a statement on the *UK's points-based immigration system* on 19 February 2020 detailing arrangements for the delivery of a UK Points-Based immigration system. This impact assessment provides a high-level analysis of the impact of the changes outlined in the document.

A UK points-based immigration system will be delivered from January 2021.

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

Key assumptions/sensitivities/risks

Discount rate

The impact of future changes in immigration policy on migration flows to and from the UK is based on the February 2020 policy statement. Freedom of movement will end and EEA citizens and their families will be subject to the same UK laws as non-EEA citizens. All prospective migrants will need to meet the criteria of a route within the UK's Points Based Immigration System to live and work in the UK. However, decisions to migrate are complex and several other factors will also affect changes in migration flows.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: N/A	Benefits: N/A	Net: N/A	

Evidence Base (for summary sheets)

A. Strategic Overview

1. The Impact Assessment (IA) for the Immigration and Social Security Co-ordination (EU Withdrawal) Bill focuses on the future policy decisions set out in the published statement on the UK's points-based immigration system on 19 February 2020¹.

A.1 Background

2. On 31 January 2020, the UK formally withdrew from membership of the European Union with a transition period until 31 December 2020.
3. The European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal) Act 2020 (EUWAA 2020) retains free movement legislation in UK law until the end of the transition period. The Government's intention is to repeal free movement legislation by the end of the transition period, so from 2021 EEA citizens and their family members who come to the UK after this date will be subject to UK immigration laws and will be required to have permission to enter and remain under the 1971 Immigration Act.
4. Subject to its parliamentary passage, the Immigration and Social Security Co-ordination (EU Withdrawal) Bill ('the Bill') will end free movement so it can deliver a new points-based immigration system and attract the brightest and best talent from around the world. The Bill is therefore needed to end free movement and make the necessary amendments to bring EEA citizens and their family members under UK immigration laws, which from 2021 will include the new UK points-based immigration system.
5. The Government published a statement on 19 February 2020 setting out further information on the new points-based immigration system for EEA and non-EEA citizens. The Government commissioned advice from the Migration Advisory Committee (MAC) on a points-based immigration system as well as on salary thresholds in the immigration system. The MAC published its report on both issues on 28 January 2020. The Government's statement considers this advice. The future requirements will apply to EEA citizens wishing to come to the UK from January 2021 (and who were not resident in the UK prior to this date) will be set out in the Immigration Rules, as is the case now for non-EEA citizens and are therefore not part of this Bill.
6. This Impact Assessment (IA) attempts, where possible, to assess the policy arrangements as set out in the Government's policy statement of 19 February 2020. It examines potential impacts of elements of the policy statement which will be delivered through Immigration Rules and secondary legislation.
7. Further to the ending of free movement, the Bill protects the status of Irish citizens in the UK once free movement ends. Irish citizens will not require leave to enter or remain in the UK, unless they are subject to a deportation order, exclusion order or an international travel ban. This reflects the historical ties between the UK and Ireland. This status for Irish citizens existed prior to the UK's membership of the EU.
8. Another consequence of the European Union (Withdrawal) Act 2018 is it retains the EU law which governs the co-ordination of social security between Member States and contains rules relating to individuals whose social security situation is not confined to a single Member State. These rules also

¹ Home Office (2020) 'The UK's points-based immigration system: policy statement'
<https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement>

extend to the EEA states² and Switzerland. This includes rules relating to the payment of social security contributions and access to certain benefits (including export and aggregation). The Bill provides the necessary power to allow the UK to amend the retained EU social security Co-ordination rules and deliver policy changes at the end of the transition period and subject to the outcome of future negotiations with the EU on social security co-ordination.

9. The UK has implemented its commitment to protect the rights of resident EEA citizens and their family members through the EUWAA 2020. This Act protects the residence rights of EEA citizens and their family members who are resident in the UK by the end of the transition period (31 December 2020), as well as UK citizens and their family members, who are resident in the EU before the end of the transition period. The Government fully opened the EU Settlement Scheme (EUSS) to all EEA citizens and their family members on 30 March 2019. The Scheme is set out in the Immigration Rules to enable EEA citizens and their family members to apply for UK immigration status, so their current rights continue, and their status is clear when the new global points-based immigration system begins. Impact assessments (IAs) for the EU Settlement Scheme have been produced to support secondary legislation for the scheme³. The IAs provide analysis on the costs and benefits of the scheme, these issues are therefore not addressed here.
10. As part of the Government's work in designing the future border and immigration system, it commissioned the Migration Advisory Committee (MAC) to examine how the UK economy makes use of and recruits EEA citizens, and the impacts of EU migration on the economy⁴. Taking into account evidence on different areas of the economy, including the labour market, productivity, public services, and housing, the report concluded the overall impacts of EEA migration on the economy have been small, with higher skilled migrants broadly having had a more positive impact than lower skilled migrants.
11. Relevant information has been included in this IA to help understand potential impacts of the UK's points-based immigration system following the end of the transition period.

A.2 Groups affected

12. The Bill will end EU free movement and bring migration from EEA citizens and their family members under UK immigration law. This will enable the Government to introduce its plans for a single immigration system for all non-UK citizens. The Immigration Rules which will be introduced under the single immigration system will apply to those who come to the UK from the date these immigration rules are implemented. The ending of free movement applies only to EEA citizens and their family members. Nonetheless the future arrangements apply to both EEA and non-EEA citizens.
13. The future points-based immigration system is expected to be implemented from January 2021. As noted above, the Government has introduced the EU Settlement Scheme for resident EEA citizens and their family members and provided further protections in the EUWAA 2020 for those already in the UK before the end of the transitional period. This group will not need to apply for leave under the UK's points-based immigration system. Those who move to the UK from the start of the system in 2021 will however need to apply. This will include EEA citizens coming to the UK to work, study or join family members.

² See <https://www.gov.uk/eu-eea>

³ http://www.legislation.gov.uk/ukxi/2018/875/impacts_and
http://www.legislation.gov.uk/ukia/2019/74/pdfs/ukia_20190074_en.pdf

⁴ In addition to the final report, in August 2017 the MAC published a Call for Evidence to gather views from stakeholders and develop its response to the Government, as well as a Briefing Paper on EEA-workers in the UK labour market with an overview of recent migration trends from the EEA to the UK. In March 2018, the MAC published an interim update on EEA workers in the UK labour market summarising the responses from employers to the call for evidence and published its final report on 18th September 2018. All MAC reports and documents are available at <https://www.gov.uk/government/organisations/migration-advisory-committee>.

14. The UK and Irish Governments have signed an agreement on social security which will come into force at the end of the transition period. This maintains the social security position of all UK and Irish citizens moving between the UK and Ireland and therefore any changes to the rules on social security co-ordination will not be applied to this group, in addition to those in scope of the Withdrawal Agreement for as long as they remain in scope.

B. Rationale for intervention

15. The Immigration and Social Security Co-ordination (EU Withdrawal) Bill has been introduced to:
 - End free movement and apply UK immigration laws to EEA citizens and their family members.
 - Provide a power to enable the Government to modify primary or secondary legislation as appropriate, in consequence of or in connection with the ending of free movement.
 - Protect the status of Irish citizens in the UK when free movement rights end, meaning Irish citizens will not need permission to enter and remain in the UK following the end of free movement.
 - Provide a power to enable amendments to retained EU law relating to social security co-ordination.
16. These changes can only be made with primary legislation.

C. Policy objective

17. Overall, the main purpose of the Bill is to bring EEA citizens and their family members under UK immigration laws by repealing EU retained law on immigration. This will enable the Government to fulfil its commitment to end free movement following the transition period and to create a firmer and fairer points-based immigration system allowing the Government to decide who comes to the UK on the basis of the skills they have and the contribution they can make, not where they come from.
18. The Immigration and Social Security Co-ordination (EU Withdrawal) Bill will also provide for the immigration status of Irish citizens to be protected after free movement ends.

D. Options considered

19. The options considered before the Bill's introduction were a 'do nothing' option, where the Immigration and Social Security Co-ordination (EU Withdrawal) Bill is not introduced, and a preferred option where the Immigration and Social Security Co-ordination (EU Withdrawal) Bill is introduced with the provisions as noted at Section B.

The current arrangements

20. The UK's current immigration arrangements, whereby EEA citizens and their family members are free to live in other EEA countries to work and study, are retained in UK domestic law by the EU (Withdrawal) Act 2018. This means, under the current system, EEA citizens and their family members enjoy a right to enter and reside in the UK without the need to obtain permission under the Immigration Act 1971. Current arrangements enable EEA citizens to generally access UK public funds on the same terms as British citizens and the UK to pay certain benefits to, or in respect of, people living in EEA countries.
21. Under current arrangements non-EEA citizens are covered by the Immigration Rules. Changes to these arrangements are not covered by this Bill, but changes arising from the introduction of the UK's points-based immigration system are included to provide a wider context.

Option 0: Do nothing

22. Under the 'do nothing' option, the Bill would not be introduced. The IA assumes under 'do nothing' current arrangements would remain in place and as such the 'do nothing' option is equivalent to the current arrangements whereby EU rules on free movement are retained in UK domestic law by the EU (Withdrawal) Act 2018 as amended by the EUWAA 2020. This means EEA citizens and their family members would be able to continue to live and work in the UK in accordance with free movement rights. Similarly, the EU (Withdrawal) Act 2018 retains the EU law which provides for social security co-ordination. Without the power in the Bill, the UK Government would not be able to make policy changes to the retained EU Social Security Co-ordination rules until another suitable primary legislative vehicle was found.
23. Under this option the Government would not be able to deliver the points-based system as set out in the policy statement and fulfil its aim to have full control over who comes to the UK in order to create a high wage, high skill, high productivity economy. Furthermore, the Government would not be able to enact policy changes to the retained regime on social security co-ordination. For these reasons, the 'do nothing' option is not considered a viable option.

Option 1: Preferred option

24. The Government has committed to ending free movement to deliver a firmer and fairer points-based system, which will attract the brightest and best talent from around the world while cutting low-skilled immigration and bringing overall numbers down. This requires changes to primary legislation through the introduction of the Immigration and Social Security Co-ordination (EU Withdrawal) Bill. In future, EEA citizens and their family members will require permission to enter and remain under the Immigration Act 1971. The Government will similarly be able to deliver policy changes to the retained social security co-ordination regime.
25. Under the preferred option, the Bill is introduced to pave the way for the UK's points-based immigration system as set out in the Government statement on 19 February 2020. The underpinning arrangements for this system will be provided for in the Immigration Rules and by other existing powers to make secondary legislation.
26. The Bill will enable the future points-based immigration system to operate, and for the UK to modify retained EU law relating to social security co-ordination. The Bill:
 - Ends free movement and applies UK immigration laws to EEA citizens and their family members.
 - Provides a power to enable the Government to modify primary or secondary legislation as appropriate, in consequence of or in connection with the ending of free movement.
 - Protects the status of Irish citizens in the UK when free movement rights end, meaning Irish citizens will not need permission to enter and remain in the UK following the ending free movement.
 - Provides a power to enable amendments to retained EU law relating to social security co-ordination.
27. Option 1 allows the Government to achieve its policy objectives and this is **the Government's preferred option**.

E. Appraisal

28. The impact of the Bill is assessed against a 'do nothing' option, which represents the current arrangements.
29. Under the EU (Withdrawal) Act 2018, as amended by the EUWAA 2020, EU law is saved in UK law until the end of the transition period. This means free movement of EEA citizens and their family members to the UK will be maintained. The 'do nothing' option has no impact or change in this respect and once the UK leaves the EU, as a matter of UK law, EEA citizens and their family members would be able to continue to move freely and reside in the UK in accordance with current free movement law.
30. To make changes to end free movement to the UK, the Government must bring forward primary legislation to repeal the retained EU law on free movement. This Bill, once enacted, will do this and will also be able to make changes to immigration legislation to remove exemptions from immigration law which currently apply to EEA citizens and their family members.
31. The primary impact of the Bill flows from the UK's points-based immigration system, as set out in the Government's policy statement on 19 February 2020, and these arrangements, as noted in this IA, are to be set out in Immigration Rules and not through the Bill. The Bill provides for EEA citizens to be brought under UK law in line with non-EEA citizens. Table 1 sets out the main changes as set out in the 19 February 2020 policy statement. The analysis set out in this IA relates to these changes.
32. Analysis included in this IA does not consider how the coronavirus pandemic could affect outcomes. It is too soon to tell what the impacts will be.

E.1. Impact of repeal of retained EU law relating to free movement

33. The Bill contains a clause repealing EU retained law primarily on free movement; this clause introduces the schedule which specifically, revokes the Immigration (European Economic Area) Regulations 2016 which implement the Free Movement Directive. It repeals Section 7 of the Immigration Act 1988, which means EEA citizens and their family members will require permission to enter and remain in the UK.
34. The Bill also repeals directly effective rights on immigration which are set out in the EU Treaties, so these cannot have an impact on immigration after the end of the transition period. This would, for example, prevent EU citizens seeking to rely on retained law on the free movement of services as a basis for entry to the UK. The Bill also repeals directly effective treaty rights relating to immigration which set out in international agreements, for example immigration provisions in the Swiss Agreement on the Free Movement of Persons and the Association Agreement with Turkey.
35. The Bill also includes a power for the Secretary of State by regulation to make consequential, transitional, transitory and savings provisions once free movement ends.
36. The primary impact of the Bill flows from the UK's points-based immigration system. The outcomes from free movement will not be recreated within the points-based system and UK businesses will be impacted in terms of adaptation and adjustment to the new regime. This new immigration system will provide greater flexibility for some skilled workers wishing to come to the UK. The requisite salary thresholds and skill levels will provide employers with greater scope to employ skilled migrants from overseas.
37. Additionally, under the EU (Withdrawal) Act 2018, as amended by the EUWAA 2020, the UK will continue to operate the EU's rules in relation to social security co-ordination until the end of the transition period on a reciprocal basis with EEA states and Switzerland. In a 'do nothing' option, the UK would be left without the powers to reflect changes made as a result of negotiations with the EU

from the end of the transition period, or without the powers to make changes on a unilateral basis if no agreement on social security co-ordination with the EU is reached.

38. The following sections give a high-level analysis of the arrangements set out in the policy statement on 19 February 2020. The points-based immigration system will be implemented with secondary legislation. Where possible the IA presents initial estimates of the impact on volumes and the Exchequer but does not include a full NPV at this stage.

E.1.1 Background

Migration flows

39. Long-term migration to the UK is typically measured in terms of net migration, given by the difference between long-term immigration and emigration in any given year. Long-term net migration to the UK has increased substantially since the mid-1990s, increasing until after EU8 accession in 2004 before dipping during the 2008-2009 economic downturn⁵. It then increased again in the following years up to the EU referendum, as the UK economy performed strongly compared to other countries. EU long-term net migration has started to fall since 2016, currently standing at levels similar to those seen in 2012. For non-EU citizens, however, net migration has risen since the EU referendum.
40. The most recent data suggests in the year ending September 2019⁶ long-term net migration to the UK was 240,000, made up of net inflows of around 250,000 non-EU citizens and 64,000 EU citizens⁷, and a net outflow of 73,000 UK citizens. Figures 1 and 2 below illustrate these trends over the most recent decade.
41. In the year to September 2019 immigration to the UK by EU citizens was 196,000, while emigration from the UK by EU citizens was 133,000, equivalent to an overall net migration to the UK by EU citizens of +64,000. Immigration of non-EU citizens was 379,000 while emigration was 129,000, giving net migration of non-EU citizens of +250,000.

⁵ ONS December 2016 'Explore 50 years of international migration to and from the UK'
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/explore50yearsofinternationalmigrationtoandfromtheuk/2016-12-01>

⁶ ONS February 2020 Migration Statistics Quarterly Report
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/february2020>

⁷ Statistics in this section includes Irish citizens but do not include EEA or Swiss

Figure 1: Long-Term International Immigration, Emigration and Net Migration, Year Ending December 2009 to Year Ending September 2019⁸

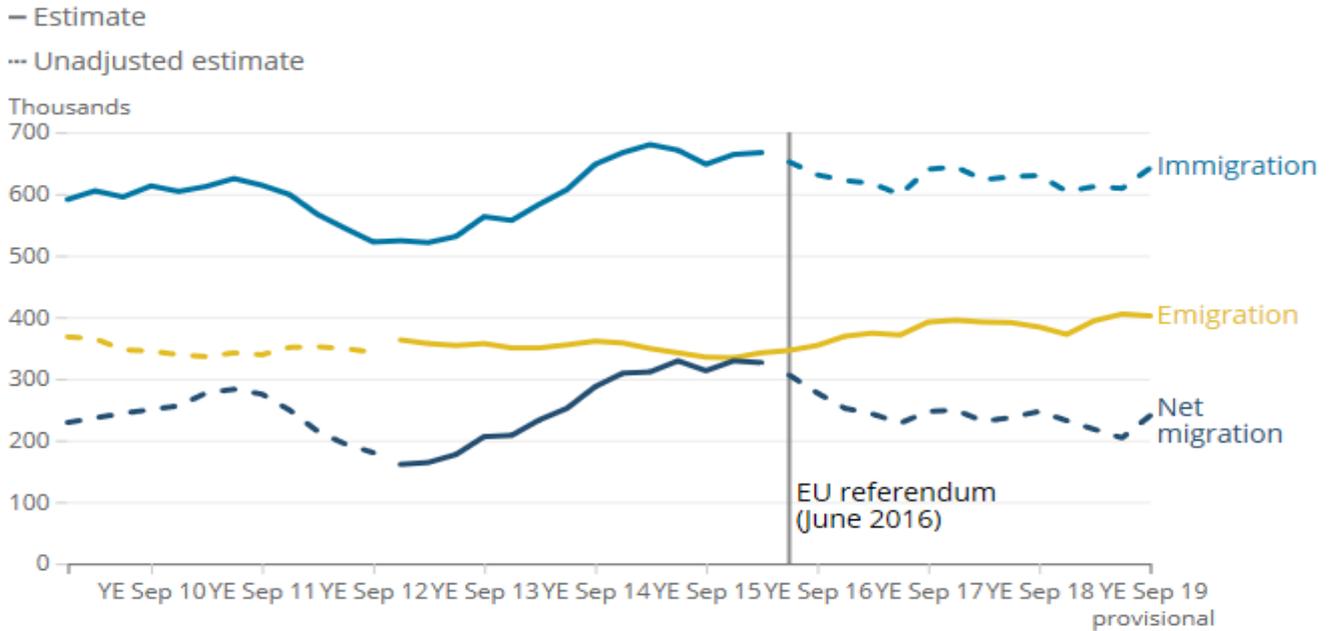
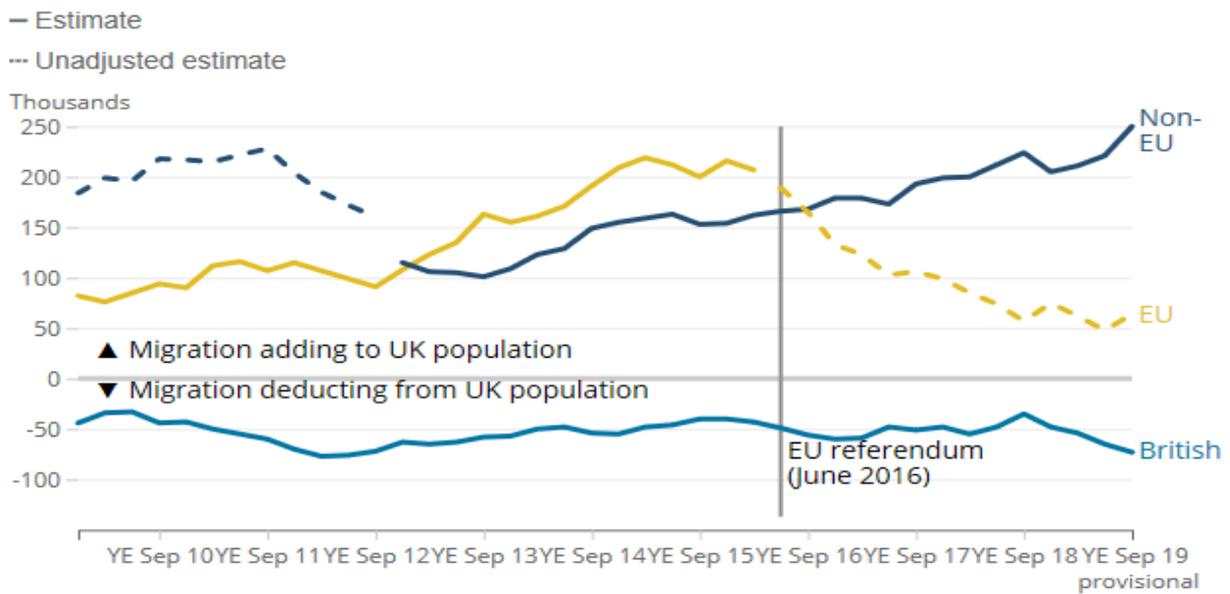


Figure 2: Long-Term International Net Migration by Citizenship, Year Ending December 2009 to Year Ending September 2019⁹



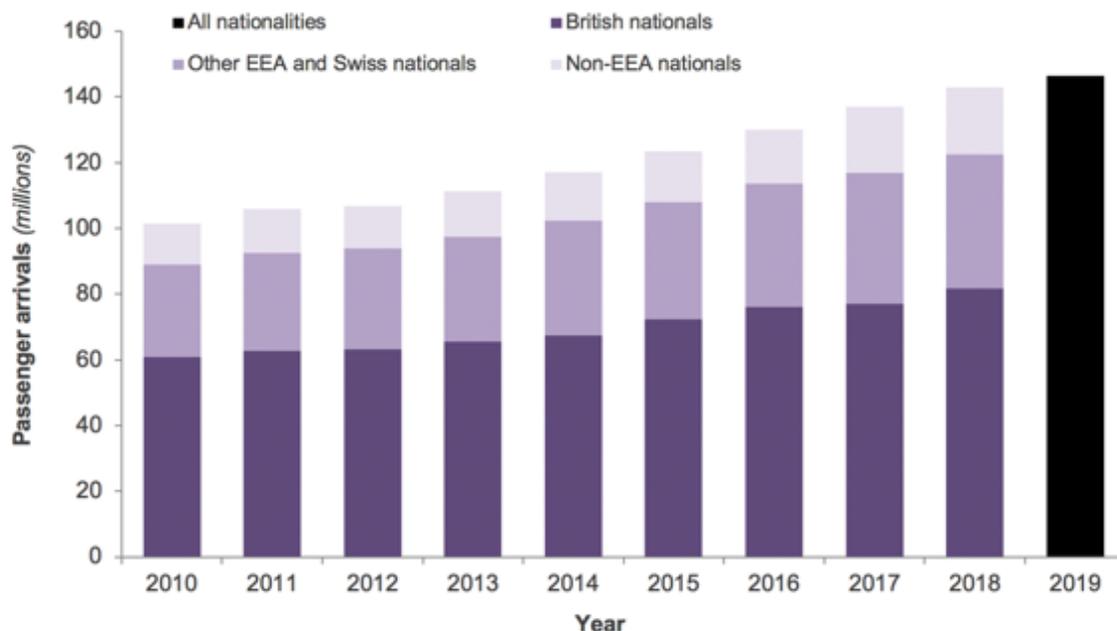
42. There were an estimated 142.8 million passenger arrivals 2018, this included 81.5 million arrivals of British citizens, 40.8 million arrivals of other EEA and Swiss citizens and 20.5 million non-EEA citizens. There were an estimated 146.3 million passenger arrivals in 2019 – a breakdown by citizenship is not available for 2019¹⁰.

⁸ ONS February 2020 LTIM with preliminary adjustments based on Department for Work and Pensions and Home Office data <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/february2020>

⁹ ONS February 2020 Migration Statistics Quarterly Report <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/february2020>

¹⁰ Previously, arrivals by nationality were estimated using landing cards; on the 20th May 2019 the Government removed the need for all non-EEA passengers to fill in landing cards upon arrival in the UK. Ahead of new electronic data sources being developed, the withdrawal of landing cards has resulted in a temporary loss to the passenger arrivals data broken down by nationality and reason for travel.

Figure 3: Passenger arrivals to the UK, by nationality group, 2010 to 2019¹¹



Drivers of migration

43. A person's decision on whether to and where to migrate can be influenced by a wide range of factors, with changes in migration policy being just one of these factors. It is important to take account of these external factors when assessing the impacts of migration policy.
44. A key driver of migration is the relative economic performance and labour market opportunities in home countries compared to potential destination countries¹². Other drivers of migration include: cultural factors such as knowing people who have had migration experiences or who currently live abroad; being confident in languages; proximity; and views on what it is like to live in a specific place¹³. While the detail of migration policy can have an influence on the desire and ability of people to move to and from the UK, it is far from the only influencing factor.

Framework for assessing the impact of migration policy

45. Migrants play an important role in the economy. The impact of arrangements which affect the number of migrants coming to, or leaving, the UK will be dependent on which migrants are in scope; their characteristics such as their age, income, health and wealth; and the nature of any proposal (for example, who may come to the UK and what they do whilst they are here). These factors combine to determine the size of the impact on the UK economy. These impacts on the resident population and UK economy are assessed under the following broad categories:
 - Macroeconomic impacts (including the impact on the Exchequer);
 - Labour market outcomes (for example, the ability of firms to hire migrant workers);

¹¹ Home Office Migration Statistics, year ending December 2019 <https://www.gov.uk/government/publications/immigration-statistics-year-ending-december-2019/how-many-people-come-to-the-uk-each-year-including-visitors>

¹² For further detail see Technical Annex published alongside this document.

¹³ See Belot and Hatton (2008), "Immigrant Selection in the OECD", Ortega and Peri (2009), "The Causes and Effects of International Migrations: Evidence from OECD Countries 1980-2005", Adserà and Pytliková (2015), "The Role of Language in Shaping International Migration", Beine et al (2010), "Diasporas", Bauer and Zimmermann (1999), "Assessment of Possible Migration Pressure and its Labour Market Impact Following EU Enlargement to Central and Eastern Europe", and Hatton and Williamson (2002), "What fundamentals drive world migration?" for discussion of the contribution of these factors to migration flows for example.

- Spill-over impacts on resident population (for example, cultural exchange or congestion/inflation impacts in local areas); and
 - Policy design impacts on users of the system (individuals, businesses and the Government).
46. Some of these categories are interrelated, such as the link between labour market outcomes and macroeconomic impacts, while some are harder to quantify than others, such as the spill-over impacts of ‘cultural exchange’.
47. An analytical framework is used to assess the impact of future policy proposals. This starts by considering a counterfactual (‘baseline’) against which policy options can be assessed – estimating potential future migrant flows in the absence of any policy intervention. Building on this ‘baseline’, policy proposals are modelled to estimate how migrant flows may change as a result. These results are then compared to the counterfactual to assess the population impact, which is the basis for estimating the wider economic impacts. These principles apply both to where impacts can be, and cannot be, quantified.
48. Analysis assumes compliance from both migrants and employers. As such all discussion of flows and impacts do not consider illegal or irregular activity.

Behavioural change

49. The modelling below is not dynamic, meaning estimates of the potential impacts do not attempt to quantify adjustment by firms or the behavioural response of migrants. For example, there is no attempt to estimate the extent to which employers may invest in automation as a response to changes in access to migrant labour, nor to estimate the number of UK workers which might replace lost workers. Nonetheless, potential behavioural impacts are discussed and, where possible, the relevant empirical evidence included. When discussing the impact of proposals on workers, analysis of occupations where a change in behaviour may be more or less likely as a response to policy changes is also presented¹⁴.
50. The September 2018 MAC report¹⁵ on the impact of EEA migration in the UK, sets out evidence of the impact on the UK labour market from migration. This evidence suggests migrants were found to have little or no impact on the overall employment outcomes of UK born workers and has more negative impacts for lower skilled workers and more beneficial impacts for higher skilled workers. The MAC also states “there is a lot of uncertainty about the impact of immigration on productivity, although most studies conclude there is a positive impact”¹⁶.

Uncertainty

51. This analysis should be considered in the context of the wider economy and the labour market being dynamic and continually adapting to an evolving environment. Factors like staff availability and skills, the relative cost of capital and labour, tariffs and supply chains can all change over time and respond to market signals. The economy in which businesses operate is always subject to changes and shifts in trends, and the UK’s exit from the EU and changes to migration policy are part of this, alongside changes in the UK’s demography, or technical and wider societal changes. Any analysis of migration proposals will, therefore, be highly uncertain and there are several ways in which this uncertainty manifests itself:

¹⁴ For further detail see Technical Annex published alongside this document.

¹⁵ Migration Advisory Committee September 2018, ‘EEA migration in the UK: Final report’

¹⁶ Migration Advisory Committee September 2018, ‘EEA migration in the UK: Final report’; P50

- **Data sources** – imperfect data (such as the use of survey data) often mean confidence intervals can be large and estimates uncertain;
- **Assumptions** – any modelling requires the use of evidence-based assumptions and expert judgement and migration is no exception; and
- **Behavioural response and change** – predicting future trends and changes to behaviour can be highly uncertain.

52. Despite the uncertainty, it is still possible to draw conclusions but estimates of the potential impact should be considered taking this uncertainty into account and treated as orders of magnitude rather than precise estimates. Where quantified analysis is presented, an illustrative range has been used and assumptions are tested using sensitivity analysis. However, this does not capture all uncertainty around the estimates.

E.1.2 Impact of Policy Statement

53. The policy statement outlines the main changes which will take place to the immigration system from 1 January 2021. It includes policies on different immigration routes, including for highly skilled workers, skilled workers and students¹⁷. It is important to note not all these policies are directly related to the ending of free movement, but all the main policies are reported in Table 1 for wider context.

Table 1: Policy statement on points-based immigration system – summary of arrangements

Policy	Detail
Crossing the border	<ul style="list-style-type: none"> • Most EU citizens will be issued with an e-visa which confirms their right to be in the UK. Non-EU citizens, including those who are the family members of EU citizens will, for the time being, continue to be provided with physical evidence of their status. • Phasing out use of insecure EU National ID cards. • Harmonisation of the approach to criminality in the immigration system.
Skilled Workers	<ul style="list-style-type: none"> • Remove current Tier 2 cap. • Reduce the skills threshold to include workers at RQF levels 3-5. • Reduce the general salary threshold from £30,00 to £25,600. • Introduce tradeable points so, if an applicant earns less than the required salary threshold, they may still be able to come if they can demonstrate they have a job offer in a specific shortage occupation or they have an outstanding educational background relevant to the job. • Keeping a minimum salary threshold. Lower rates for new entrants will continue. • Workers will need to be sponsored by an employer, but the sponsorship system will be streamlined to reduce the burdens on business. • Remove Resident Labour Market Test for skilled workers.
Study	<ul style="list-style-type: none"> • Expand current provisions for non-EU students to include EU citizens. • All students coming to the UK must be sponsored by the institution they are studying at. • International graduates of UK institutions able to switch into skilled work. • Creation of a new graduate visa route.

54. This assessment aims to set out the potential impacts from these arrangements and quantifies them where possible. The analysis includes no assessment of the impact of any fees or charges, and how these could affect migrant or employer behaviour, which will affect the estimates.

55. It has not been possible to quantify all potential impacts, for example, where there is uncertainty surrounding individuals' and businesses' behavioural response to the new restrictions or routes, or where there are data limitations. Where quantification is not possible, an assessment of who may be in scope of potential policy changes and direction of impacts has been included. The analysis considers which migrants are affected, their potential response to the proposed changes, and what this may mean for the resident population.

56. In line with previous Home Office analysis and following recommendations made by the Migration Advisory Committee (MAC)¹⁸, this IA considers the impact of the options on the welfare of the UK resident population, and includes a fiscal impact, based on contributions to direct and indirect taxes, the effect on consumption of public services. Foregone migrant wages are not included in the assessment, as the IA does not consider the impact on overall GDP.

¹⁷ Home Office February 2020 "The UK's points-based immigration system policy statement" https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866744/CCS0120013106-001_The_UKs_Points-Based_Immigration_System_WEB_ACCESSIBLE.pdf

¹⁸Migration advisory committee January 2012; "Analysis of the Impact of Migration" <https://www.gov.uk/government/publications/analysis-of-the-impacts-of-migration>

Crossing the border

57. Around 60 million UK border entries were made by foreign citizens in 2018¹⁹. The policy statement proposes a number of changes which could affect non-UK citizens crossing the UK border every year.
58. The Government has been clear, once free movement has ended, the same rules will apply to EEA citizens as currently apply to non-EEA citizens with regards to the types of documents they can show at the border to be allowed into the UK, and the approach to criminality in the immigration system.
59. Under free movement, EEA citizens can use identity cards when travelling to the UK. For those in scope of the policy²⁰, these documents will no longer be valid (unless the person has settled or pre-settlement status), and they will have to travel with a national passport.
60. The Home Office has conducted internal indicative analysis to understand what proportion of EEA citizens travel to the UK using passports or identity cards. The analysis suggests around two thirds of EEA citizens (excluding Irish and including Swiss citizens) use passports, rather than identity cards²¹. However, two important caveats apply to this result:
 - The analysis is based on case notes stored within an operational database to identify which ID documents were submitted with residency applications between October 2016 and December 2017, so focuses on EEA citizens who have interacted with the Home Office, which is unlikely to be the same as the wider EEA population arriving to the UK in future.
 - The analysis assumes EEA citizens who use passports as an identity document for travel will have the same likelihood of using a passport as those EEA citizens and their family members who use it to apply for Permanent Residence or a UK Registration Card. Therefore, this may over- or under-estimate the likelihood for use of passports as an identity document by EEA citizens when travelling to the UK.
61. The use of passports and identity cards for travel is likely to vary across EEA countries and, as such, holders of different citizenships may be affected to different extents. Those who use identity cards to travel to the UK will have several options if a passport is required, and this could impose additional costs on EEA citizens who wish to travel to the UK. Those who already hold a passport will be unaffected by this proposal and may continue to come to the UK. Those who decide to obtain a passport may incur additional costs. These depend on the cost and processes of their countries of origin. It is likely EEA citizens coming to the UK for long-term work or study may have a stronger incentive to acquire a passport than those coming for short-term visits. Some EEA citizens may choose not to acquire a passport and not travel to the UK. For example, some visitors may choose to travel to other countries.
62. It has not been possible to estimate which response may be taken by which individuals, for example those who may already hold a passport but currently use ID cards, or who may/may not acquire a passport. While it is not possible to estimate the volume of EEA citizens who may not come to the UK as a result of mandating the use of passports, any reduction in visitors will impact the UK

¹⁹ Home Office 'Immigration Statistics: Year Ending December 2019', Table ad_01. Rounded to nearest 1m. 2019 data by nationality is unavailable.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/869152/passenger-arrivals-admissions-summary-dec-2019-tables.xlsx

²⁰ For EU citizens with settled or pre-settled status, the arrangement agreed with the EU under the Withdrawal Agreement will apply. This means that they will be able to continue to travel on national identity cards until 2025 and thereafter if the cards meet the relevant International Civil Aviation Organisation (ICAO) biometric standards. For other EU citizens, the use of insecure national identity cards will be phased out as soon as practicable and will give fair notice of moving to a different situation.

²¹ EEA citizens who apply for permanent residency or registration certificate must supply an ID document to prove their identity. This analysis uses case notes in an operational database to identify which ID documents were submitted with residency applications during October 2016–December 2017. This analysis estimates the usage of passports and may not reflect passport ownership.

economy through reduced tourist spend, estimated to be around £430 per visit by EEA nationals²² in 2018²³. There may be additional impacts through any loss in the value of activity from discouraged business visits where no mitigation options are available, but a lack of data means there is uncertainty regarding the economic value of business activity resulting from business visits (see Visitors Section for more information).

63. The potential benefits to the Government of requiring EEA citizens to use passports to enter the UK are also not easily quantifiable. There will be security benefits, as passport data is easier to check and harder to forge. It will also enable more people to use e-gates, which may result in a reduction in queues and create resource efficiencies at the border.
64. Under free movement, the UK applies stricter and more specific rules around criminality which can result in the refusal of entry, removals, exclusion or deportation of non-EEA citizens than apply to EEA citizens. The end of free movement allows for rules for EEA citizens to be harmonised with those applying to non-EEA citizens. It is difficult to quantify the number of EEA citizens who would be excluded as a result of applying stricter rules on refusal of entry, removals, exclusion and deportation due to data limitations. While stricter rules may mean fewer people meet them, it is not possible to estimate impacts of this proposal is this IA.

Visitors²⁴

65. There were over 21 million visits from EEA citizens in the year to September 2019²⁵. EEA visitors will not need to apply for a visa. It is intended to allow EEA visitors to stay for up to six months in the UK, and to allow EEA visitors to undertake a range of activities during visits.
66. Over 15 million visits (over 70 per cent of all visits) by EEA citizens were for holiday, visiting family or friends or other reasons²⁶; all of which are permitted under the current system. In addition, it is estimated around 95 per cent of visits to the UK by EEA citizens for any reason in the year to September 2019 are for less than 15 days²⁷; and of all visits to the UK by people from EU countries (not just EU citizens) in 2018 only 0.1 per cent²⁸ were for longer than six months²⁹. This indicates a limit on the duration of stay for EU visitors to six months may have a minimal impact on tourism, or other visits to the UK.
67. Given the short-term nature of visitors, they are not assumed to have significant costs, but may place some additional pressure on issues such as transport congestion. Visitors also bring considerable benefits to the economy. The tourism sector is estimated to employ around 1.6m people³⁰, and EEA citizen non-business visitors contributed over £7 billion to the UK economy in the year to September 2019, with an average spend of around £460 per visitor³¹, although not all expenditure may contribute directly to the UK economy.

²² Data calculated using Visit Britain 'Latest Quarterly Data for UK overall' (based on ONS International Passenger Survey). Data is for the year to September 2019 and covers EEA (excluding Irish and including Swiss) citizens visiting for any reason. Data provides estimated number of visits, spend, and nights in the UK. Data is rounded to the nearest £5. The average length of visit by EEA citizens was estimated at around 6 nights in this time period.

²³ Not all expenditure may contribute directly to the UK economy.

²⁴ Unless otherwise specified, volumes in this section are rounded to the nearest 1m, percentages to the nearest 1 per cent, and financial values to the nearest £1bn or £5 (£nominal)

²⁵ Data calculated using Visit Britain 'Latest Quarterly Data for UK overall' (based on ONS International Passenger Survey). Data is for the year to September 2019 and covers EEA (excluding Irish and including Swiss) citizens visiting for any reason.

²⁶ See footnote 25. Data covers those visiting for holiday, visiting friends or relatives, or miscellaneous reasons.

²⁷ See footnote 25.

²⁸ Rounded to nearest 0.1 per cent

²⁹ ONS Travepac 2018 analysis see:

<https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/datasets/travepac>

³⁰ DCMS 'DCMS Sectors Economic Estimates 2018: Employment'

³¹ See footnote 26.

68. Business visitors are also expected to be largely unaffected by restrictions on the duration of stay. There were an estimated 6 million business visits³² by EEA citizens to the UK in the year to September 2019, and, similar to non-business visits, around 98 per cent of these were for less than 15 days³³.
69. Business visitors also contribute to the UK economy by spending whilst in the UK. In total EEA citizen business visitors spent over £2 billion in the UK in the year to September 2019, around £395 a visit³⁴. In addition, business visits have been found to have a positive impact on trade, investment and productivity through face-to-face interactions and the increased business confidence and ease-of-decision-making these can facilitate. For example:
- Oxford Economics (2016)³⁵ found a 1 per cent increase in business travel boosts trade by 0.05 per cent³⁶; and inbound travel stimulates exports more than outbound business travel.
 - Oxford Economics (2016) found a 1 per cent increase in business travel increases foreign direct investment by 0.3 per cent³⁷.
 - Piva and Vivarelli (2017)³⁸ found raising expenditures on business visits by 10 per cent increases productivity by 0.2 - 0.5 per cent³⁹.

Long-Term Work Migration

70. From January 2021, there will be a skilled work route which will be employer-led with all applicants under this route required to have a job offer by an approved sponsor. The job will need to be at the required skill level of RQF3 (A-level or equivalent and above), and applicants will need to be able to speak English. The cap which currently applies to skilled workers will be suspended and the resident labour market test will be removed.
71. The Migration Advisory Committee ('MAC') published its report on salary thresholds and points-based systems on 28 January 2020. The Government has accepted the MAC's recommendation to lower the general salary threshold from £30,000 to £25,600. Migrants will still need to be paid either the occupational specific salary threshold (set at the 25th percentile) or the general salary threshold, whichever is higher. There will continue to be different arrangements for a small number of occupations where the occupation specific salary threshold will continue to be based on published pay scales. The MAC's advice will be followed and the requirements for new entrants will be lower than the rate for experienced workers in any occupation. Only the base salary (and not the allowances or pension contributions) will be used to determine whether the salary threshold is met.
72. Those applying will be able to trade a small number of points on specific characteristics against their salary. As an example, this could mean applicants may be able to earn less than the required salary threshold if, for example, they are working in a shortage occupation or they have a relevant PhD.
73. The main group affected by the arrangements set out in the policy statement are long-term⁴⁰ workers, including those from EEA countries who were previously able to come to the UK to work under free movement. The analysis first considers the quantitative impact of the arrangements on long-term

³² See footnote 25. Data covers those visiting for Business reasons only.

³³ See footnote 32.

³⁴ See footnote 32.

³⁵ Oxford Economics (2016) "The value of international business travel" pg 1 see: <https://www.gtmc.org/document/value-international-business-travel-oxford-economics/>

³⁶ Rounded to nearest 0.05 per cent

³⁷ Rounded to nearest 0.1 per cent

³⁸ Piva, M., Tani, M. and Vivarelli, M. (2017) "Business visits, knowledge diffusion and productivity", *Journal of Population Economics*, 31(5), November, pp1321-1338, Springer, see:

https://www.researchgate.net/publication/321139758_Business_visits_knowledge_diffusion_and_productivity

³⁹ Rounded to nearest 0.1 per cent

⁴⁰ We define long-term immigrants as those stating on entry to the UK that they intend to stay for 12 months or more

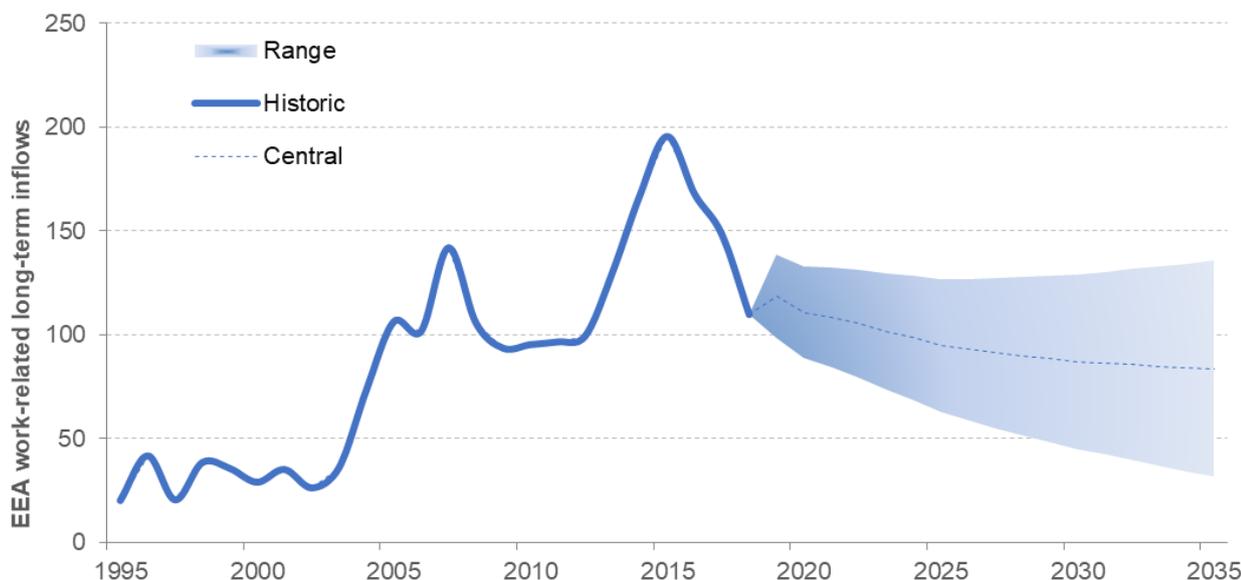
EEA workers, and then considers the potential impact on non-EEA workers. It has not been possible to model all the elements of the final policy, such as fees, and the final occupations included in the Shortage Occupations List (SOL). Other elements not modelled include, the impact of English language requirements and potential deterrent effects of sponsorship requirements.

74. It has not been possible to fully assess the impact of the arrangements for tradable points. The MAC will be commissioned to produce a shortage occupation list covering all jobs encompassed by the skilled worker route and to keep the list under regular review. Data limitations mean it is not possible to reliably estimate the number of inflows who have a PhD. However, given the relatively small proportion of the labour market who have a PhD, awarding points for this attribute is not expected to have a large impact. Using the data available⁴¹, around 1.2 per cent of UK and Irish national residents are estimated to have a PhD gained within the UK and these individuals are concentrated in a small number (21 of 369) of occupations.

Impact on Volume of Long-Term EEA Work-Related Migration

75. Changes in migration volumes are considered against a baseline projection⁴² of long-term EEA work-related net migration in the absence of any policy intervention. The change in labour supply measured against this baseline is then used as the basis to assess potential impacts on government spend and revenue, and distributional impacts for sectors and occupations within the labour market.
76. Baseline long-term EEA work-related inflows are projected based on an econometric model that quantifies the relationship between inflows to the UK and demographic and economic factors over time. Based on forecasted demographics and relative income and unemployment rates between the UK and EU countries, this analysis suggests that EEA inflows could continue to fall in the absence of any policy change.
77. To illustrate the uncertainty around the central estimates average prediction error has been used to calculate a high and low scenario. Further detail of modelling is provided within the technical annex published alongside this Impact Assessment.

Figure 4: Baseline projected long-term EEA work-related inflows

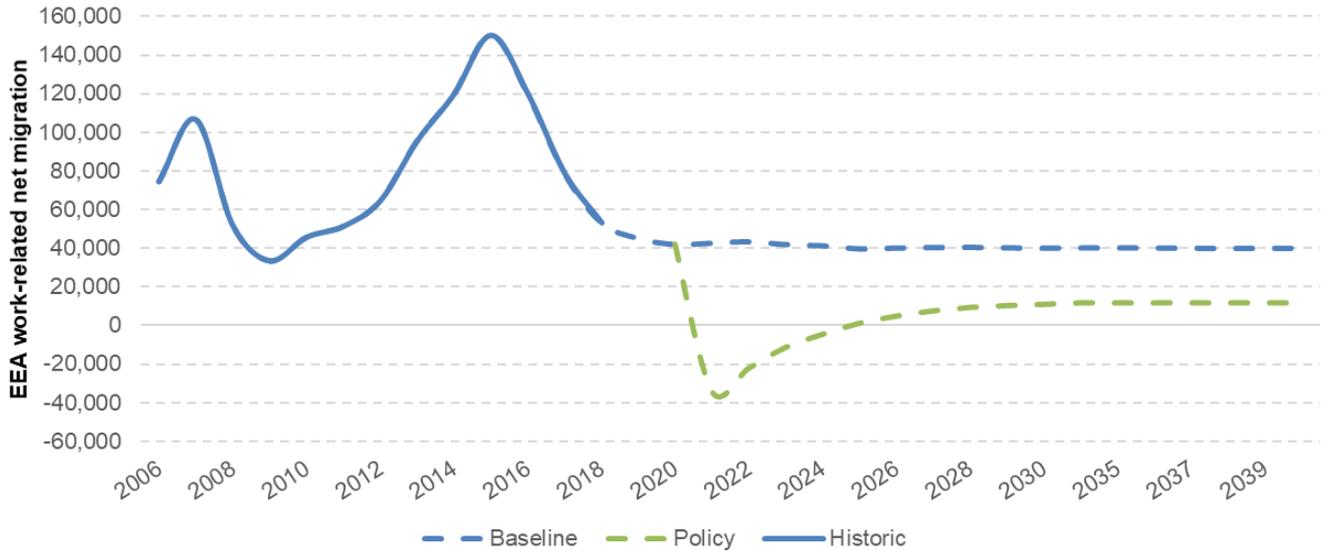


⁴¹ Home Office analysis of ONS Annual Population Survey data 2016-18

⁴² Further detail provided in the technical annex published alongside this paper

78. The analysis looks at the impact of applying an RQF3 skill threshold and MAC recommended salary thresholds⁴³ to long-term EEA worker inflows presented in figure 4. Under these conditions, annual inflows of EEA long-term workers are estimated to reduce by around 70 per cent⁴⁴. Using the baseline projection of worker long-term migration, a 70 per cent reduction in inflows is estimated to reduce long-term EEA worker inflows to between 20,000 and 40,000⁴⁵ per year in the first five years of the proposed policy. Estimated net long-term EEA work-related migration flows are shown in Figure 5 and are calculated by combining inflow estimates with assumptions made on outflows⁴⁶. When compared to the baseline the analysis estimates between 200,000 and 400,000⁴⁷ fewer long-term EEA workers in the UK by 2025.

Figure 5: Estimated long-term net EEA work-related migration, based on the central estimate



79. The analysis is highly uncertain. Some of the main caveats identified include the following:

- Migration flows are extremely challenging to project due to a wide range of potential drivers, which themselves carry inherent uncertainty. The analysis provides an indicative range but does not capture all the uncertainty. More detail is provided in the technical annex published alongside this document.
- Figure 5 shows the estimated initial impact on long-term EEA workers from the proposed policy changes. It does not include the potential behavioural responses of firms and workers, entry for work under other routes or changes for non-EEA workers. This reduction considers only the impact of salary and skill thresholds on inflows, it does not include further impacts of other policy design aspects, such as sponsorship requirements and visa fees.
- Under the new system EEA migrants will be able to come to the country as a visitor for up to six months and may look for work in this time. However, they will need to return home in order to apply for a visa. Modelling has not been adjusted to account for workers needing a definite job

⁴³ Experienced thresholds are set at the highest of the general threshold of £25,600 or the occupation specific threshold set at the 25th percentile. Modelling also includes new entrant thresholds set at 30 per cent below the experienced threshold. Except for 24 public sector occupations – where public sector pay bands are used for both experienced and new entrant workers

⁴⁴ Home Office modelling of ONS Annual Population Survey 2016-18 and Annual Survey of Hours and Earnings 2019 modelling described in Technical Annex published alongside this document. Figure rounded to nearest 10ppt

⁴⁵ Range around projected inflows based on the average predicted error (Root Mean Square Error) of regression. This is a measure of how well the projection predicted historical data points but does not capture all uncertainty. For further detail see Technical Annex published alongside this document. Rounded to the nearest 10,000

⁴⁶ To model outflows, the analysis uses data from the International Passengers Survey to estimate how long EEA migrants tend to stay in the UK. The analysis assumes no change in the outflow rate under the new skilled workers route, therefore outflows do not immediately reduce as inflows fall, but decline more slowly overtime as fewer EEA migrants come to the UK. This could potentially result in a net outflow of long-term EEA migrants in the first few years of the policy.

⁴⁷ Home Office modelling of ONS Annual Population Survey 2016-18 and Annual Survey of Hours and Earnings 2019 modelling described in Technical Annex published alongside this document. Figure rounded to nearest 100,000

offer to use this route. Currently, around 30 per cent of EEA migrants are estimated to enter the UK for work-related reasons, would not have a definite job⁴⁸. It is uncertain what proportion of this group would be deterred by this.

80. As stated in section E.1.1, analysis assumes compliance from both migrants and employers.

Impact on fiscal balances

81. A reduction in work-related immigration would have an impact on tax revenue and spending on public services, which has implications for the overall fiscal balance, all things being equal. To estimate the impact on the Exchequer both a reduction in public spending and tax revenue (both direct and indirect) as a result of the long-term work arrangements is considered. The analysis is based on 2017/18 data on government spending and tax revenue and estimates fiscal contributions of future EEA migration relative to today's economy. The analysis considers the fiscal contributions of newly arrived EEA citizens and uses a 'marginal' approach to measure the impact of migration and, therefore, only considers costs which are likely to vary with additional individuals moving to the UK.
82. The reduction in long-term EEA migrants is estimated to have a cumulative fiscal cost of between £1 billion and £3 billion⁴⁹ over the first five years (2021-2025). This approach considers the cumulative change in long-term EEA migrant volumes over this five-year period, capturing not just the reduction in net migration in year, but the subsequent years in which a migrant would have been in the UK. The reduction in workers continues to ramp up to a steady state after the five-year period consider here, this means in-year fiscal costs will still be increasing until this steady state is reached.
83. This analysis does not reflect planned changes to government spending policy as a result of the change to migration policy. The analysis is an approximation of the fiscal impacts if certain decisions were to be taken by the government, such as a discretionary reduction in health and education spending. These changes to public spending do not happen automatically and reducing them as suggested by the analysis does not represent government policy.
84. The analysis provides an order of magnitude estimate of the impact of lower long-term EEA migration relative to today's economy, it does not capture any adjustment of individuals and firms or mitigation of costs through increases in non-EEA migration. Nor does it account for potential variations in salary thresholds when tradeable points are considered or under the Intra Company Transfer route.

Impact on sectors and occupations

85. The policy arrangements will affect work-related EEA inflows differently, depending on the occupations and sectors where inflows would be expected to work. The proposed skills threshold may initially affect all long-term EEA inflows to occupations under RQF3, such as elementary occupations and process, plants and machine operatives. Some higher skilled occupations are also estimated to be affected.

⁴⁸Office for National Statistics User Requested Data (16 Dec 2019) Reference Number 11023. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/adhocs/11023internationalpassengersurveyestimatesoflongterminternationalmigrationtotheukbycitizenshipmainreasonformigrationandpreviousoccupation2010to2018>. Figure rounded to nearest 10ppt

⁴⁹ Rounded to nearest £1bn

Figure 6: Proportion of projected long-term worker EEA inflows to occupations which would be affected by an RQF 3 and MAC recommended salary thresholds

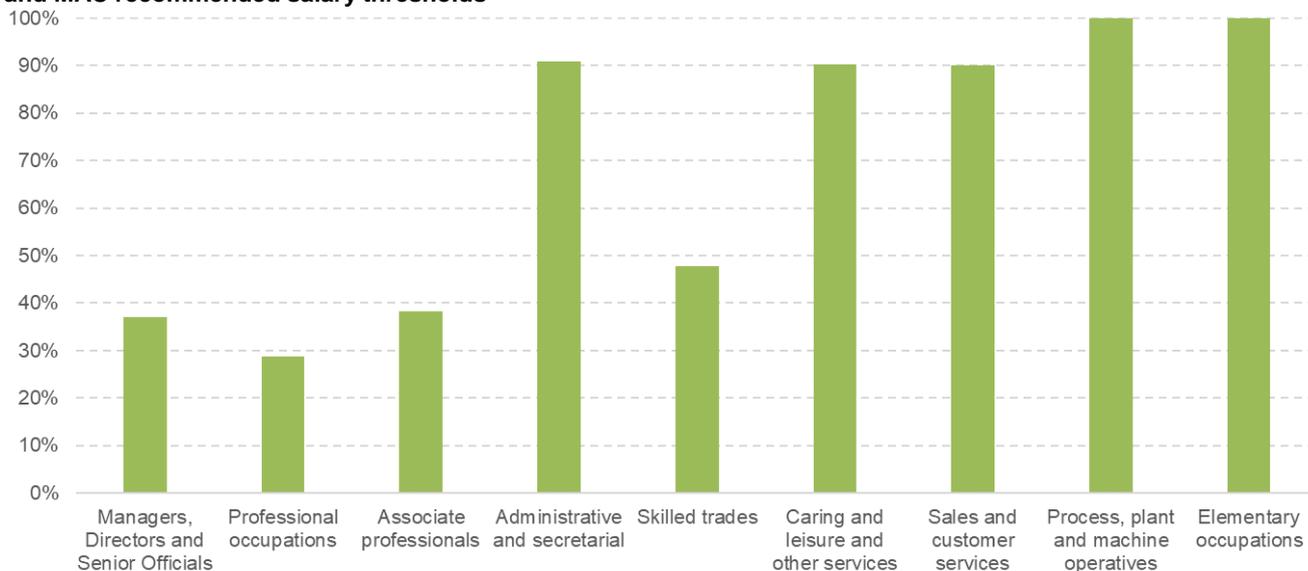
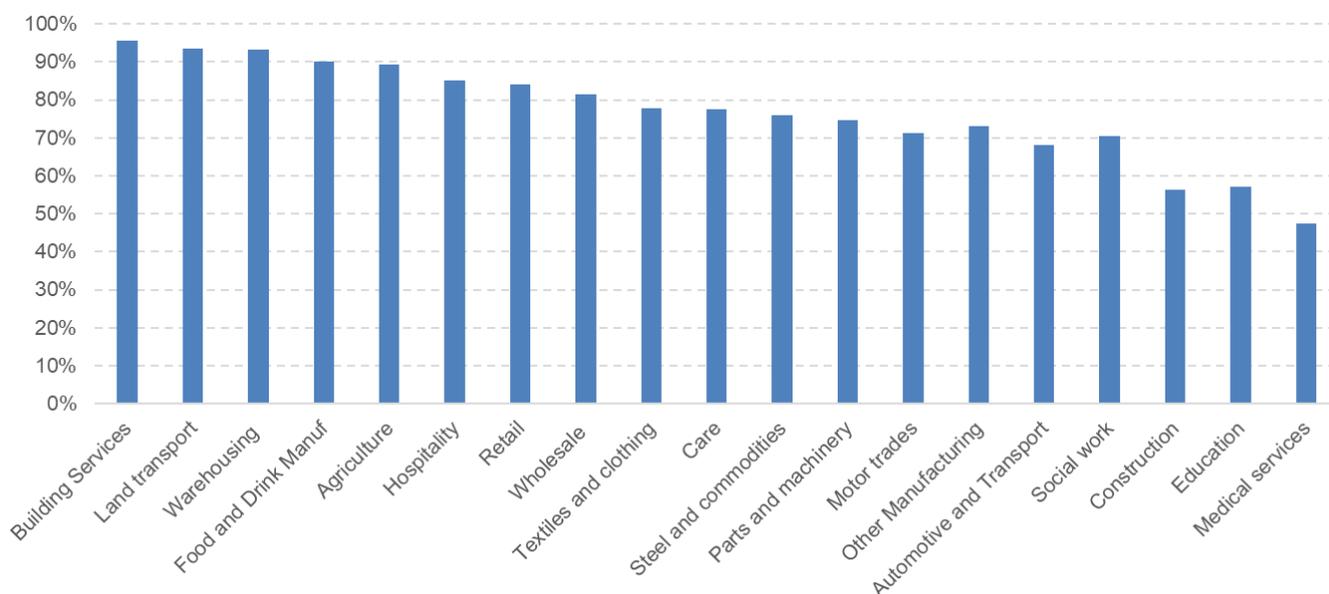


Figure 7: Proportion of projected long-term worker EEA inflows to sectors which would be affected by an RQF 3 and MAC recommended salary thresholds



86. While the modelled impact on long-term EEA work-related inflows is expected to be substantial, baseline EEA inflows represent a relatively small proportion of the total resident workforce. Shares range from around 0.1 to 1.4 per cent of overall sector workforce depending on the sector considered, as shown in Figure 8, with the highest figure being in the Food and Drink sector (in all other sectors shares are less than 1 per cent, and in a majority of sectors less than half of one percent). However, there are also sectors which have seen a high proportion of their employment growth come from EEA migration. Figure 9 looks at the composition of recent employment growth within sectors, illustrating the EEA contribution to total sector employment growth. This focus is on sectors which have seen the most EEA employment growth between 2014 and 2018. The retail, construction and warehousing sectors have seen large absolute employment growth of EEA citizens, and in the retail sector over these years the growth in EEA employment has been concurrent with a reduction in employment from UK citizens and others from outside the EEA. In other sectors such as motor trades, land transport and parts and machinery, EEA citizens have made up a large proportion of overall employment growth. These sectors are also those identified in Figure 7 as most affected by this policy.

Figure 8: Baseline projected long-term worker EEA inflows as a percentage of total resident workforce⁵⁰

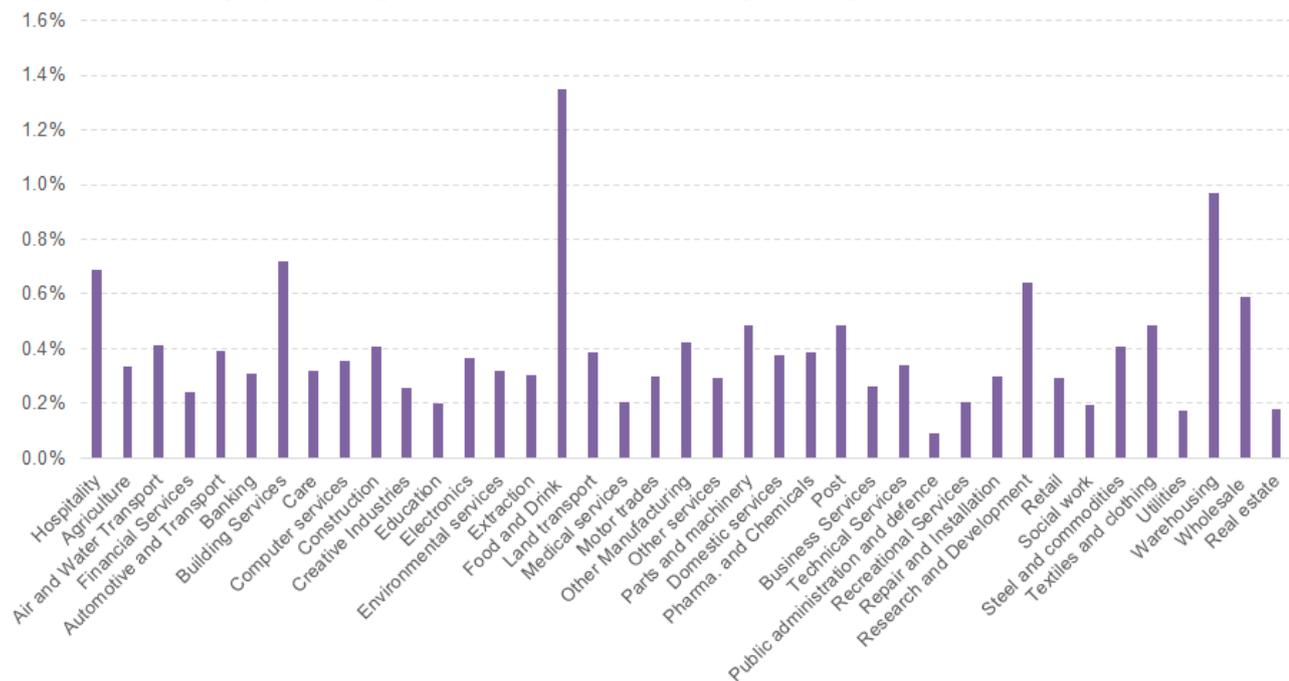
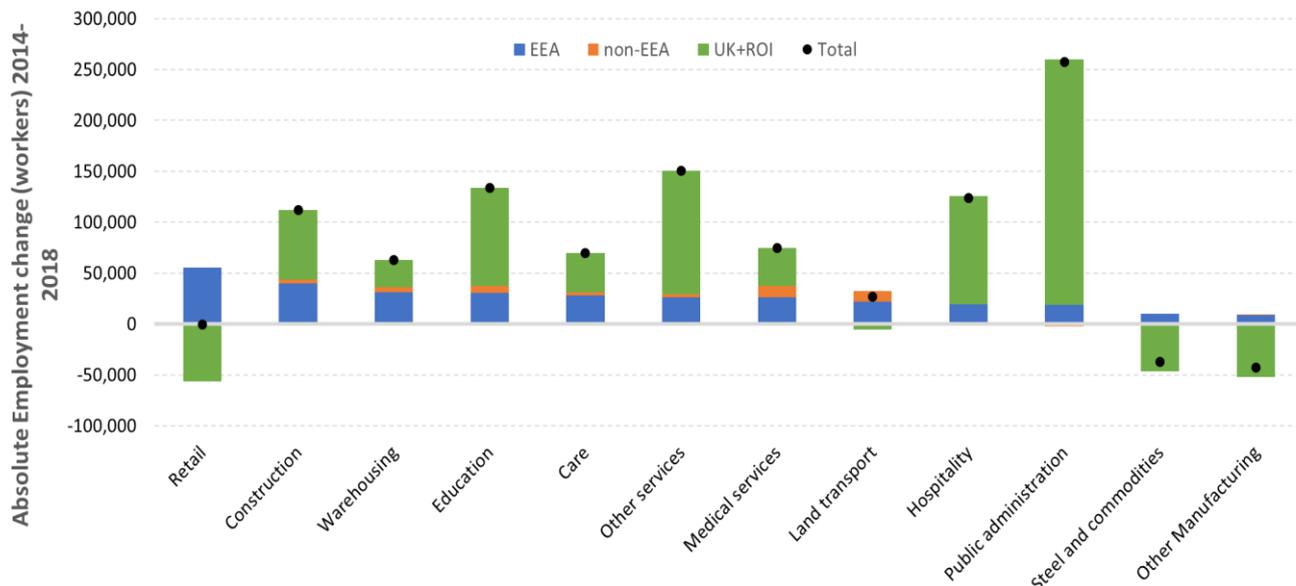


Figure 9: Top sectors for long-term EEA employment growth (2014-2018)⁵¹



Impact on EEA Self-Employed and Part-Time Workers of Skills and Salary Threshold

87. The skilled work route requires all applicants to have a job offer by an approved sponsor. Under the policy set out in the policy statement, there is no dedicated route available for self-employed workers. In future, self-employed or freelance workers will be able to come to the UK to work through the investor, start up, innovator or exceptional talent routes⁵² providing migrants meet certain eligibility requirements. For example, the Innovator visa requires migrants to have access to at least £50,000 in investment funds, the Investor route requires an investment of £2 million or more to the UK and both the Start-Up and Global Talent visas require an endorsement by an authorised body.

⁵⁰ Total workforce based on Home Office analysis of ONS Annual Population Survey 2016-18. Note that percentages here also mask any regional variation.

⁵¹ Home Office analysis of ONS Annual Population Survey 2014 and 2018. Chart includes a selection of 39 sectors. Other Manufacturing includes manufacturing of wood and paper products and printing and recorded media

⁵² <https://www.gov.uk/browse/visas-immigration/work-visas>

88. Due to data limitations, modelling of impacts on the self-employed workforce is limited. For example, at present it is not known what proportion of long-term EEA inflows are self-employed and there is limited information on earnings of self-employed workers. There are also unknown behavioural impacts, which could be important. For example, it is uncertain whether firms who previously hired self-employed individuals to undertake tasks will instead hire the individual as an employee.
89. Around 17 per cent of the resident EEA population in employment are estimated to be self-employed⁵³. Under current rules for non-EEA citizens there is no dedicated route available for self-employed workers, most recent data suggest use of the existing non-EEA routes open to self-employed non-EEA workers is small, with a total of around 6,000 entry clearance visas issued to main applicants in Tier 1 routes in 2019⁵⁴. Relatively low use by non-EEA citizens of routes open to the self-employed suggests eligibility criteria under these routes may be hard to meet.
90. Resident EEA citizens in self-employment are particularly concentrated in a few sectors and occupations, this implies restriction on self-employed workers may affect some sector more than others. Around 40 per cent⁵⁵ of self-employed EEA workers can be found in just two sectors; construction and building services. EEA self-employed labour makes up around 5 per cent of the total employment respectively in both sectors. Impacts on these sectors may vary; Home Office modelling suggests a large proportion of workers in the Building Services sector would be ineligible for the skilled work route primarily due to the skill requirement (10⁵⁶ per cent of the baseline inflow meet the skills threshold). In the construction sector around 70⁵⁷ per cent of workers meet the skill requirement. Therefore, workers in this sector may meet skill and salary requirements but be disproportionately affected by the need for sponsorship. It is unknown how easily the sector will be able to adjust to these changes, for example by changing employment practices.
91. Around one third of EEA self-employed workers are concentrated in just five occupations (cleaners and domestics; construction and building traders; carpenters and joiners; taxi and cab drivers and chauffeurs; cleaners and domestics; and painters and decorators). Only three of these occupations meet the skill requirement (construction and building traders, carpenters and joiners; and painters and decorators). Other high- and medium-skilled occupations with a high proportion of EEA self-employed workers (out of the total EEA self-employed worker population) include childminders and related occupations, and other teaching and educational professionals.
92. Part-time workers may also be disproportionately affected by the policy, as salary thresholds are not prorated. However, analysis undertaken by the MAC (2020) suggests part-time workers are concentrated in lower skilled roles⁵⁸. Therefore, employment effects would be felt primarily due to the skills threshold in these occupations.

⁵³ Home Office analysis of ONS Annual Population Survey data 2016-2018 This data reflects survey respondents' view of their employment status – freelancers who may be paid as employees may either report as self-employed or employees in this data for example. Rounded to nearest 1 ppt

⁵⁴ Home Office 'Immigration statistics data tables, year ending December 2019'. Table Vis_D02 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/868069/visas-summary-dec-2019-tables.xlsx. Figure rounded to nearest 1,000

⁵⁵ Home Office analysis of the ONS Annual Population Survey 2016-2018. Figure rounded to nearest 1ppt

⁵⁶ Home Office modelling using ONS Annual Population Survey 2016-18 and Annual Survey of Hours and Earnings 2019 modelling described in Technical Annex published alongside this document. Figure rounded to nearest 10ppt

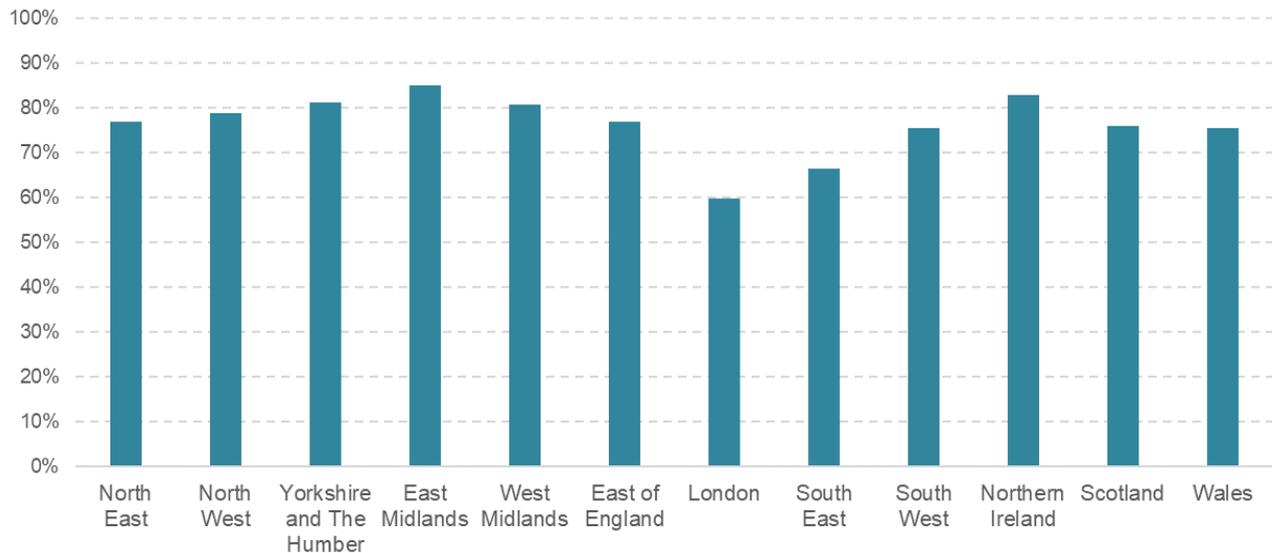
⁵⁷ See footnote above

⁵⁸ Migration Advisory Committee January 2020 "A Points-Based System and Salary Thresholds for Immigration" pg. 147 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/860669/PBS_and_Salary_Thresholds_Report_MAC.pdf

Regional Impact of Skills and Salary Threshold for Long-Term EEA Workers

93. There may be geographical variation in the impacts of the policy arrangements. Figure 10 illustrates the estimated impact of changes to EEA long-term worker inflows for different English regions and Scotland, Wales and Northern Ireland. London is the region in which most EEA residents in employment work. As a result, it is the region most affected in terms of the volume of EEA workers restricted – around 30⁵⁹ per cent of inflows affected are estimated to work in London. However, higher wages within this area mean a smaller proportion of the inflows are affected compared to other parts of England and other nations with lower average earnings, resulting in London being the least affected area.

Figure 10: Proportion of projected long-term EEA worker inflows to English regions and other nations of the UK which would be affected by an RQF 3 and MAC recommended salary thresholds



Behavioural Responses

94. The analysis presented above identifies the initial impact of policy changes. It assumes migrants who meet skill and salary thresholds will continue to come to the UK and does not consider any behavioural changes in response to a different migration system or increased administrative burdens. It also makes no assumption of potential behavioural responses of employers and market adjustment. The labour market is dynamic and, as with any change in environment, markets are expected to adjust and reallocate resources to their most productive use – at least in sectors where output and wages are primarily influenced by market forces.

95. How employers choose to adjust, the relative ease and length of time taken to do so will depend on the specific characteristics of an occupation and firms (in particular, whether they are influenced predominately by market forces) as well as wider factors. Adjustment could happen in various ways including:

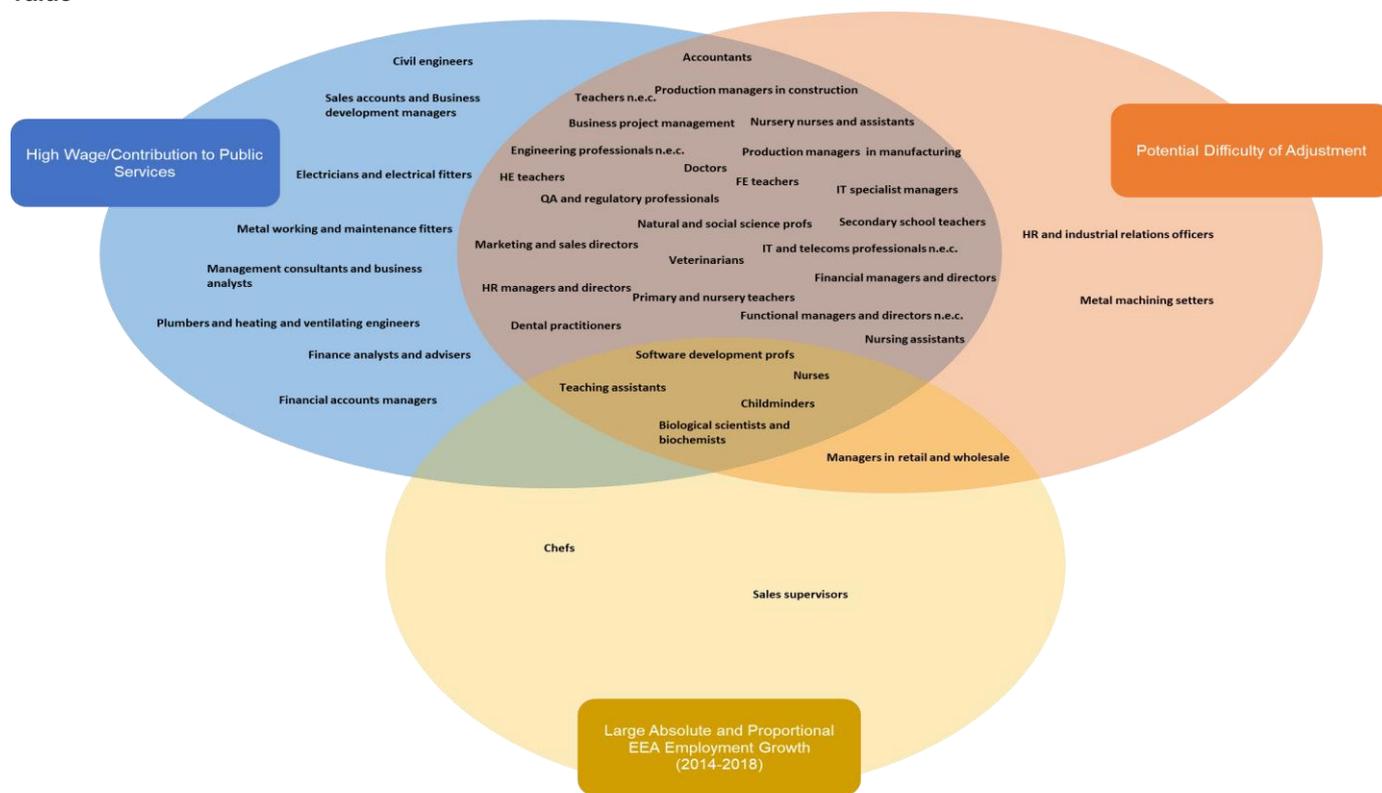
- Altering the composition of the workforce, for example, switching from migrant worker inflows to domestic labour, increasing hours of current staff, or outsourcing;
- Altering the ratio of labour to capital within the firm's production, such as automating the production line where possible, and substituting capital for labour;
- Freezing recruitment, or reducing migrant worker inflows into the workforce;
- Continuing to employ skilled migrant workers by increasing wages to meet the threshold, or;
- Changing production levels.

⁵⁹ Home Office modelling using ONS Annual Population Survey 2016-18 and Annual Survey of Hours and Earnings 2019 modelling described in Technical Annex published alongside this document. Figure rounded to nearest 10 per cent.

96. The ability of an employer to respond through each of these avenues is highly firm-specific. For example, if a firm's production process is more labour-intensive, it may struggle to substitute to capital and would be left with fewer adjustment options. The potential scope for employers to raise wages to meet salary thresholds may depend on the increase in wages needed to meet salary thresholds. The response of small and medium size businesses may differ from responses of large firms.
97. To provide an assessment of occupations which may face challenges adjusting to new policy arrangements and a sense of the importance of impacts, several metrics have been produced to assess occupations. These are classified based on three indicators:
- **Potential scope for adjustment**, which measures the ability of occupations to adjust to unexpected changes in the labour market, either by substituting labour for labour or by substituting capital for labour in the form of automation. This can provide an indication of occupations potentially facing challenges adjusting to changes based on our chosen criteria. However, it does not capture all the ways employers may adjust to policy changes.
 - **High wage or high contribution to public services**, highlights occupations of high economic importance based on average wages as well as those occupations within sectors which are key to the delivery of public services (i.e. health, education, social work, care and public administration)⁶⁰.
 - **Recent reliance on EEA migrant labour**, which looks at the absolute and proportional EEA employment growth in each occupation between 2014 and 2018
98. There are 249 occupations with a skill level of RQF3 and above. However, only 65 have Annual Population Survey (2016-18) data with sufficient sample size to reliably estimate EEA citizen employees. Of the 65 skilled occupations where EEA citizens are found to work, 31 may face potential labour market adjustment difficulties, based on a combination of the factors discussed above. Occupations which may face adjustment issues can be categorised into three broad categories:
- **High wage and public services contribution and hard to adjust** – 23 occupations were identified as potentially facing adjustment difficulties and being of high economic and public value (either due to their contribution to key public services or high relative wages). However, analysis indicates they have not been heavily reliant on long-term EEA migrant labour in recent years. Examples include doctors, teachers, vets and nursing assistants.
 - **Heavy reliance on long-term EEA migrant labour and hard to adjust** – One occupation (Managers in retail and wholesale) was identified as potentially facing adjustment difficulty and as heavily reliant on long-term EEA migrant labour in recent years.
 - **High wage and public-sector contribution, heavy reliance on long-term EEA migrant labour and hard to adjust** – Five occupations were identified as having high economic or public value, reliant on long-term EEA migrant labour and potentially facing adjustment difficulties. Examples include nurses, teaching assistants and childminders.

⁶⁰ This is just one measure of economic and public value. It is judged those occupations with high public value-based on whether they contribute directly to key public services across five sectors. There are, however, other sectors with positive spillovers or important to fulfilling government objectives.

Figure 11: High and medium-skilled occupations facing labour market adjustment difficulties and of high relative value⁶¹



RQF3+ occupations illustrated rank highly for the relevant criteria

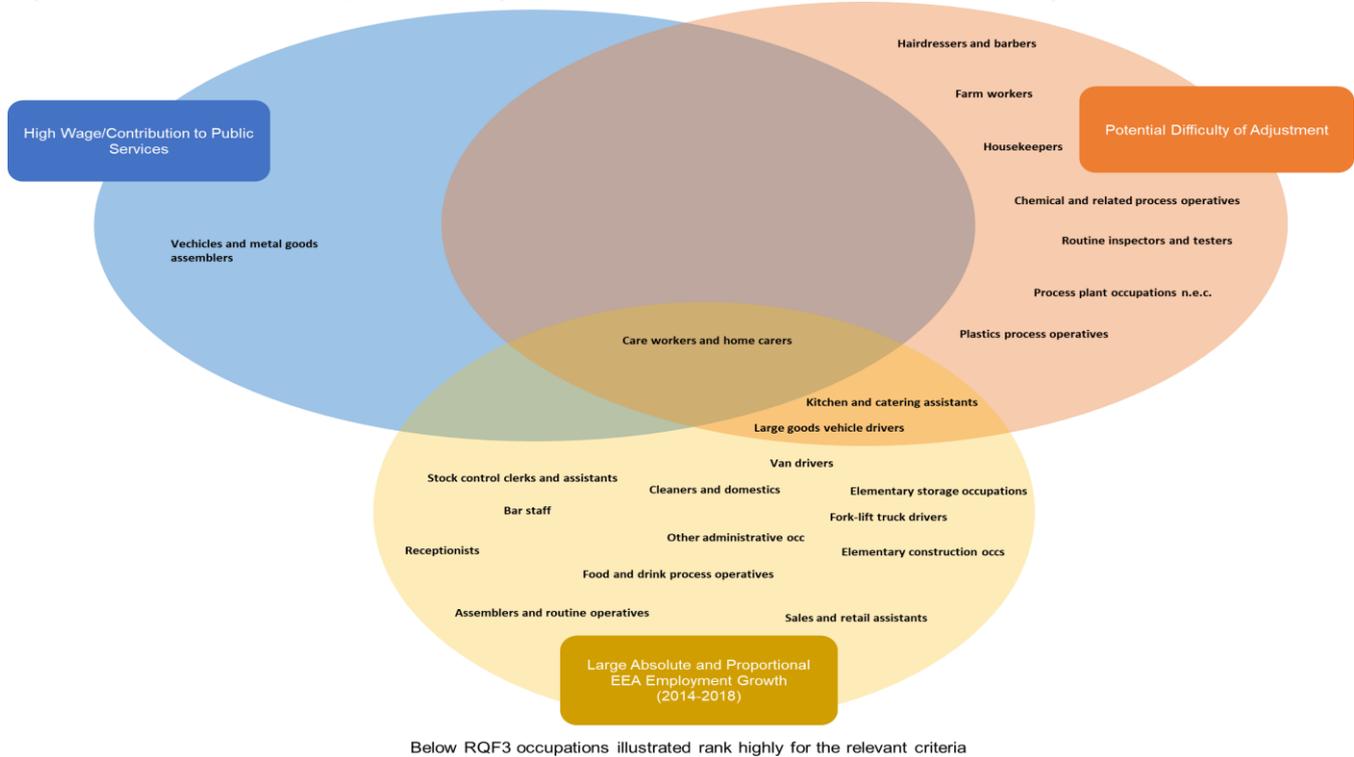
99. So far, the analysis has considered occupations at or above the RQF3 skill level. However, it is estimated around 50 per cent⁶² of resident EEA migrants work within occupations with a skill level below RQF3. Long-term inflows to these occupations would not be eligible for the skilled workers route. Using the same three indicators as above, lower skilled occupations of particular importance have been identified, either due to recent reliance on long-term EEA employment, high wages or contributions to public services and those which may face adjustment difficulties.
100. Of the 47 (out of 115) low skilled occupations where EEA citizens in employment could be reliably estimated, 10 occupations have been identified as potentially facing difficulties adjusting to policy changes. Of these 10 occupations, care workers and home carers were the only one identified as having a high public-sector contribution, heavy reliance on long-term EEA migrant labour and potentially facing difficulty in adjusting. Two occupations (kitchen and catering assistants and large goods vehicle drivers) were identified as being particularly reliant on long-term EEA labour over recent years and potentially facing adjustment difficulties.
101. In their recent report MAC highlighted continued reliance on migrant labour may not address underlying issues in sectors and said that addressing those issues may help sectors adapt to change. For example, they state for social care “the root cause of the problems there is the failure to offer competitive terms and conditions”⁶³.

⁶¹ Occupations are presented at a 4-digit standard occupation classification (SOC) level. Further details are provided within the Technical Annex published alongside this document

⁶² Home Office analysis of ONS Annual Population Survey 2016-18

⁶³ Migration Advisory Committee January 2020 “A Points-Based System and Salary Thresholds for Immigration” pg. 10 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/860669/PBS_and_Salary_Thresholds_Report_MAC.pdf

Figure 12: Lower skilled occupations facing labour market adjustment difficulties and of high relative value



Impact on Volume of Non-EEA Citizens⁶⁴

102. Whilst the introduction of a skilled worker route reduces EEA flows, the policy also represents a change in restrictions for non-EEA workers coming to the UK through the current Tier 2 (General) route⁶⁵. The policy may therefore offer greater opportunities to employers looking to source skilled labour from outside the UK and EEA. For example:

- The skills threshold will change from RQF6 to RQF3, allowing for a further 151 medium-skilled occupations (RQF3-5) to now qualify under the route;
- Criteria for salary thresholds will change following the MAC recommendations⁶⁶. Reducing the general threshold for experienced workers is estimated to reduce the salary threshold for 38 out of 96 high-skilled occupations (RQF6+). Setting the new entrant salary threshold at 30 per cent below the experienced threshold is estimated to reduce salary thresholds for 55 high-skilled occupations but increase it for 16 high-skilled occupations.

Modelling a baseline

103. Whilst it is possible to use a historical relationship between EEA migration inflows and economic and demographic factors to project future EEA flows⁶⁷, it has not been possible to do the same when projecting non-EEA inflows as they are subject to immigration control.

⁶⁴ Volumes in this section are rounded to the nearest 5,000 and percentages to the nearest 5 per cent. Financial values are rounded to the nearest £1 billion. (£19/20).

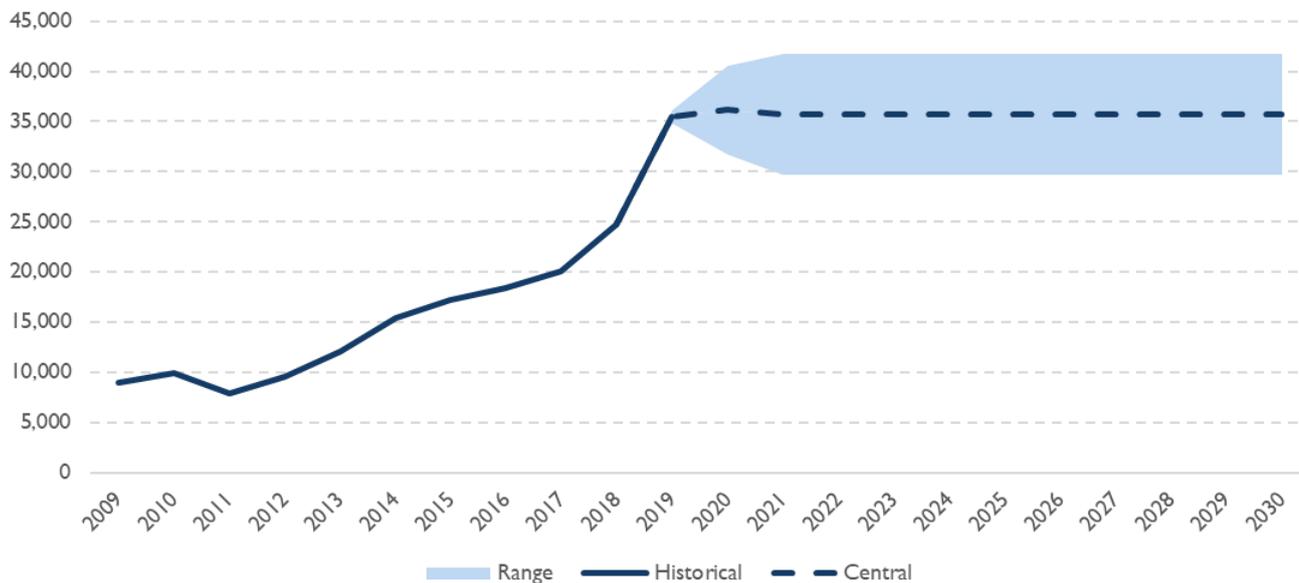
⁶⁵ The analysis looks at the impact on Tier 2 (General) volumes. There are not assumed to be any changes to other existing non-EEA routes.

⁶⁶ Experienced workers are required to earn either the £25,600 general threshold or the 25th percentile of the occupation-specific earnings distribution (whichever is higher). New entrants must earn at least 70 per cent of the occupation-specific experienced worker threshold, which may represent an increase or decrease from the current new entrant threshold. Those who work in the 24 mainly public sector occupations are required to meet the national pay scales for those occupations and there is no general threshold.

⁶⁷ See Technical Annex published alongside this document for description of long-term EEA worker inflows baseline projection

104. Instead, the baseline used for Tier 2 (General) inflows is based on Home Office workload projections, which fit time series models to historical data⁶⁸. The baseline projection of Tier 2 (General) inflows includes three scenarios in order to capture the uncertainty with projecting migration flows: an upper, central and lower volume scenario. Baseline inflows are estimated to be between 30,000 and 40,000 annual workers in the steady state, as shown in Figure 13. Inflows of dependants are estimated to be between 20,000 and 30,000 annual dependants in the steady state⁶⁹.

Figure 13: Baseline inflows of non-EEA Tier 2 (General) main applicants



Policy impacts

105. Predicting the impact of lowering the salary threshold (for some occupations) and skills threshold is highly uncertain because it is dependent on (1) employers' behaviour and (2) the potential supply (or pool) of eligible non-EEA labour, which are unknown. Given this uncertainty, two illustrative scenarios for a potential increase in non-EEA worker migration are modelled:

- **EEA scenario – assumes a ~70 per cent increase:** This scenario uses modelled changes in EEA inflows under different policy scenarios to consider the potential scale of a non-EEA response. The estimated number of EEA citizens eligible under current immigration system rules (i.e. an RQF6 skill threshold and existing salary rules) is compared against the number of EEA citizens estimated to be eligible under the future policy (i.e. an RQF3 skill threshold and MAC recommended salary thresholds). Applying these two scenarios to the projected EEA baseline, implies an increase in eligible EEA inflows of around 70 per cent when moving from current arrangements to the future policy arrangements. This percentage change in EEA inflows gives a rough approximation of the elasticity of labour supply to a change in skills and salary thresholds, and this scenario considers the impact on non-EEA skilled workers if a similar percentage increase was observed. There are a number of limitations with this approach:
 - The approach relies on applying policy scenarios to a highly uncertain modelled baseline of long-term EEA inflows under free movement – further detail of the underlying uncertainty within this baseline and EEA policy modelling is provided in the Technical Annex published alongside this document;

⁶⁸ See Technical Annex published alongside this document.

⁶⁹ The Tier 2 (General) dependant ratio is estimated to be 0.70 (i.e. for every four main applicants coming to the UK there are almost three dependants), based on the ratio of main applicants to dependants observed in Tier 2 grant statistics in 2019. More detail can be found in the Technical Annex published alongside this document.

- The increase in non-EEA skilled workers is assumed to have the same occupation and wage distributions as eligible EEA citizens. This may be an unrealistic assumption and further detail is provided in the Technical Annex published alongside this document;
- This scenario assumes there are no behavioural responses from employers or migrants, which may overstate the overall increase in non-EEA migration flows as it fails to capture potential changes in labour demand from employers. This is therefore treated as our upper scenario.

• **Historical scenario – assumes a ~30 per cent increase:** In its recent report⁷⁰, the MAC did not attempt to account for the potential impacts of their recommendations on non-EEA workers, but did provide an overview of the historical use of Tier 2 (General) over time and scenarios assumed in other external research papers⁷¹. It found that when Tier 2 (General) was open to medium-skilled occupations they made up between 24 per cent and 35 per cent of all Certificate of Sponsorships (CoS) used. This implies a medium to high-skilled ratio of between 1:3 and 1:2. Applying the lower ratio (i.e. around 1:3) to the current Tier 2 (General) baseline would result in an increase in current Tier 2 (General) high-skilled inflows of around 30 per cent. This estimate is used as a lower scenario for the potential increase in non-EEA skilled worker inflows. There are also limitations with this approach:

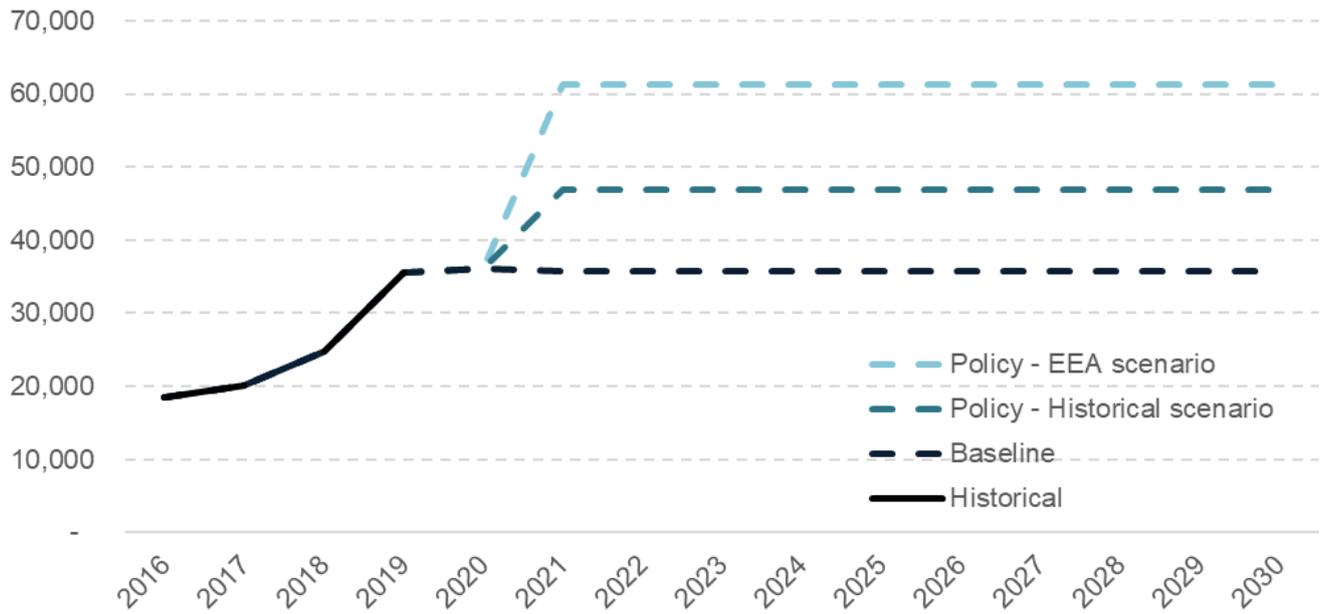
- This scenario does not take account of differences in policy between the period considered and under the modelled arrangements – it looks solely at the historical medium to high-skilled ratio of CoS used and the impacts if this was the case in future. It also does not consider any differences in salary thresholds between the two periods.
- The scenario assumes historical work migration patterns are representative of future patterns.
- As above, it assumes the increase in skilled non-EEA workers have the same occupations and wage distributions as eligible EEA citizens. This is highly uncertain.

106. Applying the EEA scenario described above to the baseline projection of non-EEA Tier 2 (General) inflows results in an estimated annual increase in non-EEA workers of between 20,000 and 30,000 with an additional 15,000 to 20,000 dependants (using steady state figures). Under the historical scenario there is an estimated annual increase of between 10,000 and 15,000 non-EEA workers and between 5,000 and 10,000 dependants (using steady state figures). The figure below shows the increase for both scenarios under the central baseline estimate. These estimates are extremely uncertain and are based on illustrative scenarios providing a sense of scale of the potential impacts.

⁷⁰ Migration Advisory Committee January 2020 “A Points-Based System and Salary Thresholds for Immigration” pg. 186 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/860669/PBS_and_Salary_Thresholds_Report_MAC.pdf

⁷¹ Migration Advisory Committee January 2020 “A Points-Based System and Salary Thresholds for Immigration” pg. 189 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/860669/PBS_and_Salary_Thresholds_Report_MAC.pdf

Figure 14: Inflows of non-EEA Tier 2 (General) main applicants under the baseline, EEA and historical policy scenarios (based on central baseline volume estimate)



Fiscal Impact

- 107. An increase in non-EEA worker migration due to a lowering of the skills and salary threshold (for some occupations) could help mitigate some of the estimated fiscal costs associated with a reduction in long-term EEA worker migration. However, the extent of this mitigation is unclear and dependent on the scale of any increase in long-term non-EEA worker migration, as well as other highly uncertain factors such as their salary level, age and family structure.
- 108. The estimated change in fiscal spend and revenue is calculated by applying the same methodology used to assess the impact on the Exchequer of a reduction in EEA migration flows. As with the EEA fiscal analysis, it is based on 2017/18 data on government spending and tax revenue and the analysis estimates fiscal contributions of future non-EEA migration relative to today’s economy. It is slightly altered to account for differences in non-EEA migrant characteristics such as dependant rates and age⁷².
- 109. Under the EEA scenario, the increase in long-term non-EEA migration is estimated to have a potential cumulative fiscal benefit of between £3 billion and £4 billion over the first five years (2021-2025). Under the historical scenario, the increase in long-term non-EEA migration is estimated to lead to a cumulative fiscal benefit of around £1 billion over the same time period. Ranges provided are driven by the underlying uncertainty in the baseline non-EEA volume projection.

⁷² For further detail see Technical Annex published alongside this document.

Short-Term EEA Citizen Workers⁷³

110. Currently, EEA citizens can supply short-term⁷⁴ labour under free movement. After free movement ends and, given the Government's broad approach of opening current routes for Non-EEA citizens to EEA citizens from January 2021, there will likely be impacts on flows of short-term labour from EEA citizens.
111. Current flows are estimated using ONS⁷⁵ data and HMRC⁷⁶ analysis commissioned by Home Office. There are a number of notes setting out what these data present, and the discussion of HMRC data requires reference to a glossary of terms used (these terms are in italics when used in text below). Tables 2 and 3 below set out these notes and terms, and for further detail see Technical Annex published alongside this document. Due to the complexity and uncertainty in the data, estimates from these sources should be read as indicative estimates only.

Table 2: Notes on ONS Data

ONS data on Short-Term International Migration
Is based on International Passenger Survey data⁷⁷ , meaning it is sample survey data, and provides estimates only. Ranges provided reflect the 95 per cent confidence interval around these estimates.
Is based on information collected at the end of a stay in the UK, meaning it reflects actual behaviour.
Focuses on those with stays 1-12 months. Should there be any short-term migrants supplying labour for less than 1 month they will not be included in estimates.
Includes those 'looking for work' – not all of whom may necessarily find work - within their estimates of short-term migrants moving for 'work reasons'.

Table 3: Glossary of Terms used in HMRC analysis

Term	Definition and Notes
HMRC Analysis	<p>HMRC analysis of Pay As You Earn Real Time Information (PAYE RTI)⁷⁸ and Migrant Worker Scan (MWS)⁷⁹ data.</p> <p>This data focuses on employees only – where pay is linked to a National Insurance number⁸⁰. Therefore, self-employed short-term workers are not covered in this analysis. The analysis looks across a five-year period from 2014/15 and 2018/19, with 2016/17 providing the reference year.</p> <p>HMRC analysis makes assumptions based on patterns of receipt of pay as an employee to categorise a length of time someone is seen as an employee (or length of a job) in the UK labour market. More detail on these assumptions is included in the Technical Annex published alongside this document.</p>

⁷³ Volumes in this section are rounded to the nearest 5,000, percentages to the nearest 1 per cent, and financial values to the nearest £100 (£19/20).

⁷⁴ Short-term labour flows are broadly defined as those supplying labour for up to 12 months in the UK, before departing. Stocks of short-term labour can include longer term residents (students for example), supplying labour for short periods in between or alongside other activity in the UK.

⁷⁵ Office for National Statistics User Requested Data (16 Dec 2019) Reference Number 11013. Where data is referenced as ONS data in this section it refers to this publication.

⁷⁶ HMRC Pay As You Earn Real Time Information (PAYE RTI) and Migrant Worker Scan (MWS) analysis. See Table 3 below, and the Technical Annex published alongside this document for more detail

⁷⁷ The International Passenger Survey is a continuous voluntary survey conducted at all principal air and sea routes and the Channel Tunnel. It is a sample survey and the resultant figures are grossed up by weighting factors dependent on route and time of year.

⁷⁸ The PAYE RTI administrative system to identify employees paid via a Pay As You Earn scheme. Since 2014 all employers have been required to report information on pay, tax and other deductions via the PAYE RTI system each time an employee is paid

⁷⁹ The MWS holds information on adults registering for a National Insurance number after arriving from abroad or who had otherwise not been allocated a National Insurance number at the age of 16. Information on applying for a National Insurance Number is found here: <https://www.gov.uk/apply-national-insurance-number>

⁸⁰ Not all employee activity in the UK can be linked to a National Insurance number, and not all employee activity in the UK may require those undertaking such activity to possess a National Insurance number. This means analysis does not provide estimates of total work as an employee in the UK labour market

Reference Year	The reference year – tax year 2016/17 - is the year in which some receipt of pay as an employee is needed to be included in estimates. If receipt of pay as an employee is seen in this year, the analysis looks across the five-year period to determine the length of work as an employee in the UK labour market, or length of an employee job.
Citizens / Citizenship	Refers to nationality at the point of registering for a National Insurance number. This means subsequent acquisition of UK citizenship (or other changes in citizenship) are not picked up in this analysis. In this analysis the term EEA citizens includes Swiss, and excludes Irish, citizens.
Arrival Date	Refers to the earlier of registration date and stated arrival date for a person on the MWS. A National Insurance number provides a unique identifier across a person's lifespan, meaning the approach of analysis helps avoid classing some who return to the UK after a period abroad (and re registering) being classed as 'new arrivals'.
Person Level Analysis / Analysis at a person level	Reports outcomes on the basis of all jobs linked to an individual, where receipt of pay as an employee is seen in the reference year. Characteristics such as citizenship, arrival date, and age are identifiable in person level analysis.
Short-Term Employee 'Stock'	Refers to person level analysis, where the following conditions are met: <ul style="list-style-type: none"> • Holding a National Insurance number • Receiving pay as an employee in the reference year (2016/17) • Period of labour market activity as an employee in the UK labour market is categorised as lasting up to 12 months – not all of this 'up to 12-month period' is required to occur exclusively in 2016/17 • Aside from receipt of pay as specified above, no other receipt of pay as an employee is identified on the RTI administrative system between 2014/15 and 2018/19. <p>Not all those providing short-term employee labour are necessarily short-term migrants. Resident UK and non-UK citizens could supply employee labour for short periods in between other activities, such as working during holidays as a student, or moves away from work as an employee and into self-employment for example. Such workers will be included in definition of the Short-Term Employee 'Stock'.</p>
Short-Term Employee 'Flows'	Meet the conditions above, plus is estimated to have an arrival date in 2016/17. Note 2016/17 arrivals who begin and end work as an employee within 12 months of arriving to the UK, but this work occurs exclusively in 2017/18 will not be included in these estimates. This analysis assumes the end of work as an employee signifies the end of these people's presence in the UK, however HMRC analysis can only indicate the end of employee activity, not confirm if someone leaves the UK . It may be the case some remain in the UK in self-employment or study for example.
Short-Term EEA Worker 'Flows'	Refers to short-term employee 'flows' who are EEA citizens.
Period of labour market activity	Refers to person level analysis providing outcomes from categorising the length of time someone is seen as an employee in the UK labour market. A person's period of labour market activity is classified in categories of 'up to 3 months', 'more than 3 and up to 6 months', more than 6 and up to 12 months' (these first 3 categories can be summed to provide a category of 'up to 12 months') and 'more than 12 months'. Where someone is seen to have 'large' gaps – see the Technical Annex published alongside this document for more detail – between periods of work as an employee they are classified as having 'intermittent' periods of labour market activity. These categorisations are also used as proxies for the assumed length of stay in the UK. As noted above HMRC analysis can only indicate the end of employee activity, not confirm if someone leaves the UK . It may be the case some remain in the UK in self-employment or study for example.

Job Level Analysis / Analysis at job level	<p>Reports outcomes on the basis of a single job linked to an individual, where receipt of pay as for that job is seen in the reference year.</p> <p>Characteristics such as sector are available at job level. As one person can do multiple jobs, figures in job level analysis tend to be higher than in person level analysis for any particular category.</p>
Job Length	<p>Refers to job level analysis providing outcomes from categorising the length of time an employee job is seen to last in the UK labour market.</p> <p>Job lengths are classified in categories of 'up to 3 months', 'more than 3 and up to 6 months', 'more than 6 and up to 12 months' (these first 3 categories can be summed to provide a category of 'up to 12 months') and 'more than 12 months'. Where 'large' gaps between receipt of pay are seen, the job lengths are described as 'intermittent'.</p>
Short-term employee jobs	<p>Jobs categorised as lasting 'up to 12 months'.</p>

112. Both ONS and HMRC data suggest a similar picture for current flows of short-term EEA citizens for work – ONS estimate around **100k – 155k** EEA⁸¹ citizens moved to the UK for between 1 and 12 months, for work reasons, in the year to June 2017; and HMRC analysis estimates around **95k short-term EEA worker 'flows'**.
113. There may be additional flows of migrants supplying short-term employee labour who may not meet the criteria to be classified as part of *short-term EEA worker 'flows'* but may be included within ONS data. This could include some people in HMRC analysis who may be supplying short-term labour as employees in successive years, including in 2016/17⁸², and as set out in Table 3 some who arrived in 2016/17 but began and ended work as an employee exclusively within 2017/18 (ending within 12 months of arriving).
114. The largest shares of these flows were for the shortest durations – ONS estimate around 50 per cent of their estimated flows were for between 1 and 3 months (with 34 per cent for more than 3 and up to 6 months, and only 16 per cent for more than 6 and up to 12 months). In HMRC analysis the mix was different - around 38 per cent of *short-term EEA worker 'flows'* were estimated to be for up to 3 months⁸³, around 30 per cent for more than 3 and up to 6 months, and around 31 per cent⁸⁴ for more than 6 and up to 12 months.
115. The higher tendency for ONS data to have shorter durations of stay may in part reflect the inclusion of those coming to look for work in their data, but both sources suggest the majority of 'flows' of short-term *EEA citizens* for (employee) work last less than 6 months.
116. In the absence of free movement, some EEA citizen flows looking to supply short-term labour could have the option of Tier 5 routes – Table 4 below sets out the routes proposed to be open to EEA citizens from January 2021, and latest statistics on volumes of non-EEA citizens using these routes. Discussion of Youth Mobility Schemes has been excluded, as it is not certain this route will be open to EEA citizens from January 2021.

⁸¹ Excluding Irish and including Swiss Citizens

⁸² These could be a subset of those within the group of 'intermittent' *periods of labour market activity*.

⁸³ These figures are based on estimated *period of labour market activity*

⁸⁴ Totals may not sum to 100 per cent due to rounding each figure to the nearest 1 per cent

Table 4: Tier 5 categories (aside from Youth Mobility Scheme) and current use⁸⁵

Category	Description	Volumes
Charity Worker	For unpaid voluntary work of up to 12 months ⁸⁶ . Not a route for paid employment. Requires a certificate of sponsorship from a valid Tier 5 sponsor	Year ending Dec 2019: 1,537 entry clearance visa grants
Creative⁸⁷ and Sporting	For those offered work in the UK as a sports person or creative worker for up to 12 months. Requires a certificate of sponsorship from a valid Tier 5 sponsor	2018: around 29,700 admissions ⁸⁸ in this category
Government Authorised Exchange	For those coming to do work experience or to do training, an Overseas Government Language Programme, research or a fellowship through an approved government authorised exchange scheme, for up to 12 or 24 months (depending on the scheme applied for). Not necessarily a route for paid employment. Requires a certificate of sponsorship from a valid Tier 5 sponsor	Year ending Dec 2019: 6,908 entry clearance visa grants
International Agreement	For workers who have a job offer covered by international law, such as embassy and diplomatic household workers for up to 2 years, and also covers contractual service suppliers where the UK has an international agreement allowing a migrant to provide a service in the UK. Requires a certificate of sponsorship from a valid Tier 5 sponsor	Year ending Dec 2019: 548 entry clearance visa grants
Religious Worker	For those coming to do religious work for up to 2 years. Requires a certificate of sponsorship from a valid Tier 5 sponsor	Year ending Dec 2019: 1,387 entry clearance visa grants
Seasonal Worker	Currently being piloted to allow entry to undertake farm work for up to 6 months. Requires a certificate of sponsorship from a valid Tier 5 sponsor	Quota, confirmed to increase to 10,000 this year and will be kept under review.

117. The volumes using these routes, along with eligibility criteria, may mean these Tier 5 routes cater for relatively niche areas of the labour market and may provide limited access to short-term labour

⁸⁵ Home Office 'Immigration statistics data tables, year ending December 2019'. Table Vis_D02, and Home Office 'Immigration statistics data tables, year ending September 2019' Table ad_03_w. <https://www.gov.uk/government/statistical-data-sets/managed-migration-datasets> As the time period covered in data is prior to January 2021, grants and admissions cover non-EEA citizens.

⁸⁶ Or the time given on the Certificate of Sponsorship plus 28 days, if this is shorter. This caveat also applies to Creative and Sporting, Government Authorised Exchange, International Agreement and Religious Worker categories.

⁸⁷ A creative worker is someone who works in the creative industry, for example an actor, dancer, musician or film crew member.

⁸⁸ Note admissions (rather than entry clearance visa) data is used for this category as those entering for less than 3 months in this category are not required to apply for a visa.

supply. This suggests following the end of free movement and opening up of Tier 5 routes to EEA citizens, volumes of short-term EEA citizen work flows reduce from the baseline.

118. Quantified estimates of EEA citizens who may in future qualify under Tier 5 routes are not possible, but available evidence suggests Tier 5 routes align with only a small minority of current *short-term jobs* undertaken by EEA citizens. For example;
- Certificates of sponsorship used in new visa applications under Tier 5 routes show around 67 per cent were for applications for roles in the Arts, Entertainment and Recreation sector, 12 per cent in Education and the remainder spread across various sectors⁸⁹ whereas;
 - *HMRC job level analysis* for the *reference year* suggests around 1 per cent of *short-term jobs* undertaken by *EEA citizens* are estimated to be in Creative Industries and Broadcasting⁹⁰, and a further 2 per cent in Education.
119. Volumes and other outcomes may also be affected by behavioural impacts – for example, potential fees and administrative processes may provide deterrence effects relative to the baseline.
120. The remainder of this section discusses potential impacts of a reduction in flows of short-term EEA citizens for work in the preferred option relative to the baseline. Given the inability to estimate those in the baseline who may qualify for under a Tier 5 visa route, quantified estimates reflect a ‘per person’ potential impact.

Fiscal Impacts

121. Short-term migrant workers will have impacts on both fiscal revenue from tax contributions on earnings and spend in the UK, and fiscal spending on public services through their use of waste management or health services for example. More detail on the methodology and assumptions used to make these estimates can be found in the Technical Annex published alongside this document.
122. Estimates of fiscal impacts aim to provide an ‘annual marginal impact’ for an ‘average’⁹¹ EEA worker coming to work in the UK for up to 12 months. For an ‘average’ person covered within short-term EEA worker ‘flows’ it is estimated annual fiscal revenue contributions from this group could be around £2,400⁹² alongside annual fiscal costs of around £1,500. This suggests a net fiscal impact⁹³ for an ‘average’ person covered within short-term EEA worker ‘flows’ of around £800.
123. Compared to baseline volumes, any reduction in short-term EEA citizen flows for work would be expected to have a relatively small net fiscal impact on a per person basis, **but these estimates are subject to large uncertainties – both in data used and assumptions made**. More detail on the approach to the fiscal analysis and HMRC analysis is included in the Technical Annex published alongside this document.

⁸⁹ Home Office ‘Immigration statistics data tables, year ending September 2019’. Table CoS_D01.

<https://www.gov.uk/government/statistical-data-sets/managed-migration-datasets>

⁹⁰ HMRC analysis uses similar sector classifications as used in the ‘Skill and Salary Threshold for Long Term Work Migration’ section. In this analysis Creative Industries and Broadcasting is the closest proxy for Arts, Entertainment and Recreation. The Technical Annex published alongside this document provides more detail on migration analysis sectors.

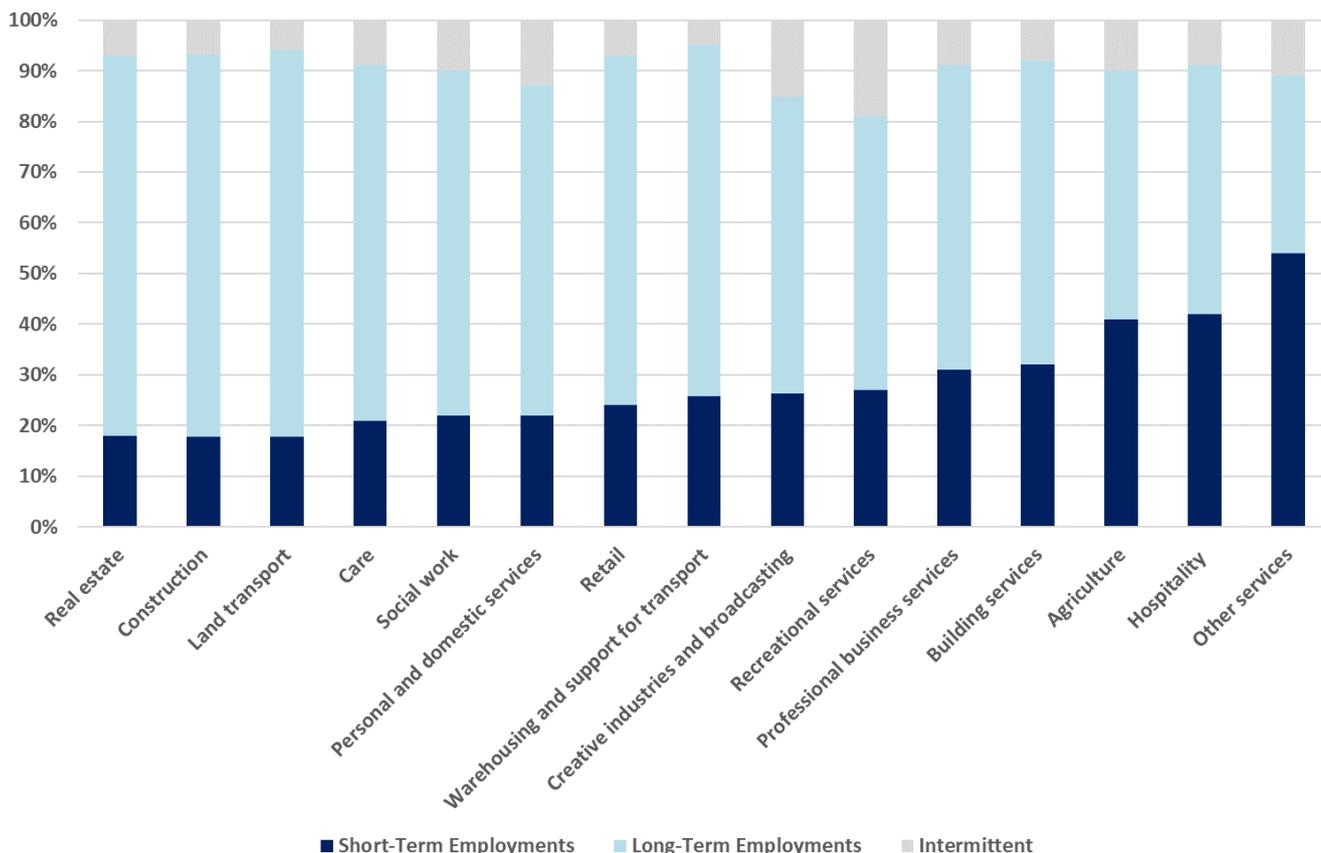
⁹¹ ‘Average’ refers to providing an estimated impact for all those with assumed *period of labour market activity* lasting ‘up to 12 months’, weighted for shares at the more granular levels of up to 3 months, ‘more than 3 and up to 6 months’, and ‘more than 6 and up to 12 months’.

⁹² The analysis does not account for end of year reconciliations of individuals’ Income Tax liabilities after the end of the tax year. Adjustments to an individual’s liability could occur for example if an individual has had a period of employment on an emergency tax code or has had other non-employment sources of income, such as savings that are taxed through PAYE. This may increase or decrease the final Income Tax liability for each individual. The extent to which this will affect the estimates of net fiscal impacts will be limited but is uncertain.

⁹³ Note rounding figures to nearest £100 means the net of the (rounded) revenue and cost figures do not equal the stated net impact.

124. Employers currently employing short-term EEA citizens who come to work for up to 12 months each year may have to adjust should these flows reduce, causing **impacts in the labour market**.
125. Firms facing reduced access to short-term EEA citizen labour broadly face similar decisions as those outlined in the behavioural response for long-term workers section above – investing to compete in wages/working conditions for alternative labour, investing in capital to reduce labour requirements, or changing the level of their production/what they produce. The profile and length of time taken to adjust and reallocate resources can vary from firm-to-firm, and in terms of how, what or whether employers continue to provide goods and services.
126. Evidence on short-term employment of EEA citizens is less available than the evidence on skilled work. Indicators available allow insight into:
- The share of the *short-term employee 'stock'* estimated to be accounted for by *short-term EEA worker 'flows'* – should they account for a relatively smaller share the scope for potential labour market costs may be smaller.
 - Sectors where *short-term employee jobs* (those with a *job length* estimated at 'up to 12 months' account for larger shares of all employee jobs undertaken – sectors seeing larger shares here may be more in scope to be impacted.
 - Sectors where EEA citizens account for larger shares of *short-term employee jobs* – sectors seeing larger shares here may be more in scope to be impacted.
127. These are not a comprehensive list of indicators. A comprehensive set might also include indicators on adjustment potential and adjustment cost to truly understand likely choices, as well as potential difficulties in adjusting to reduced access to 'flows' of short-term EEA citizen employees. Available indicators provide only limited insight into sectors potentially more likely to be 'in scope' to be impacted, and it is not necessarily the case these sectors will be most impacted. Evidence for these indicators are based on *HMRC analysis at job level*.
128. Taking these indicators in turn, the share of the *short-term employee 'stock'* estimated to be accounted for by *short-term EEA worker 'flows'* for the *reference year* helps illustrate the potential scale of contribution from 'flows' of short-term EEA citizen employee labour to the short-term employee workforce in the UK.
129. *HMRC analysis* estimates a total *short-term employee 'stock'* of around 495k in the UK. This includes individuals of all citizenships. Of these individuals, around 95k were estimated to be defined as *short-term EEA worker 'flows'*. Whilst *short-term EEA worker 'flows'* exclude migrants who arrived in the reference year but did not start work until the following year, taken together these figures suggest these flows are a minority – but not an insubstantial share – of the 'stock' of short-term workers.
130. The second indicator helps illustrate where *short-term jobs* make up higher shares of all estimated jobs in a sector – and so access to supply of short-term labour may be relatively important. Figure 15 below illustrates for the *reference year* of 2016/17, the 15 sectors where *short-term employee jobs* are estimated accounted for largest shares of all employee jobs estimated to be undertaken.

Figure 15: 15 sectors with largest shares of all employee jobs undertaken accounted for by employee jobs lasting for up to 12 months (HMRC PAYE RTI and MWS analysis, Reference Year 2016/17)⁹⁴

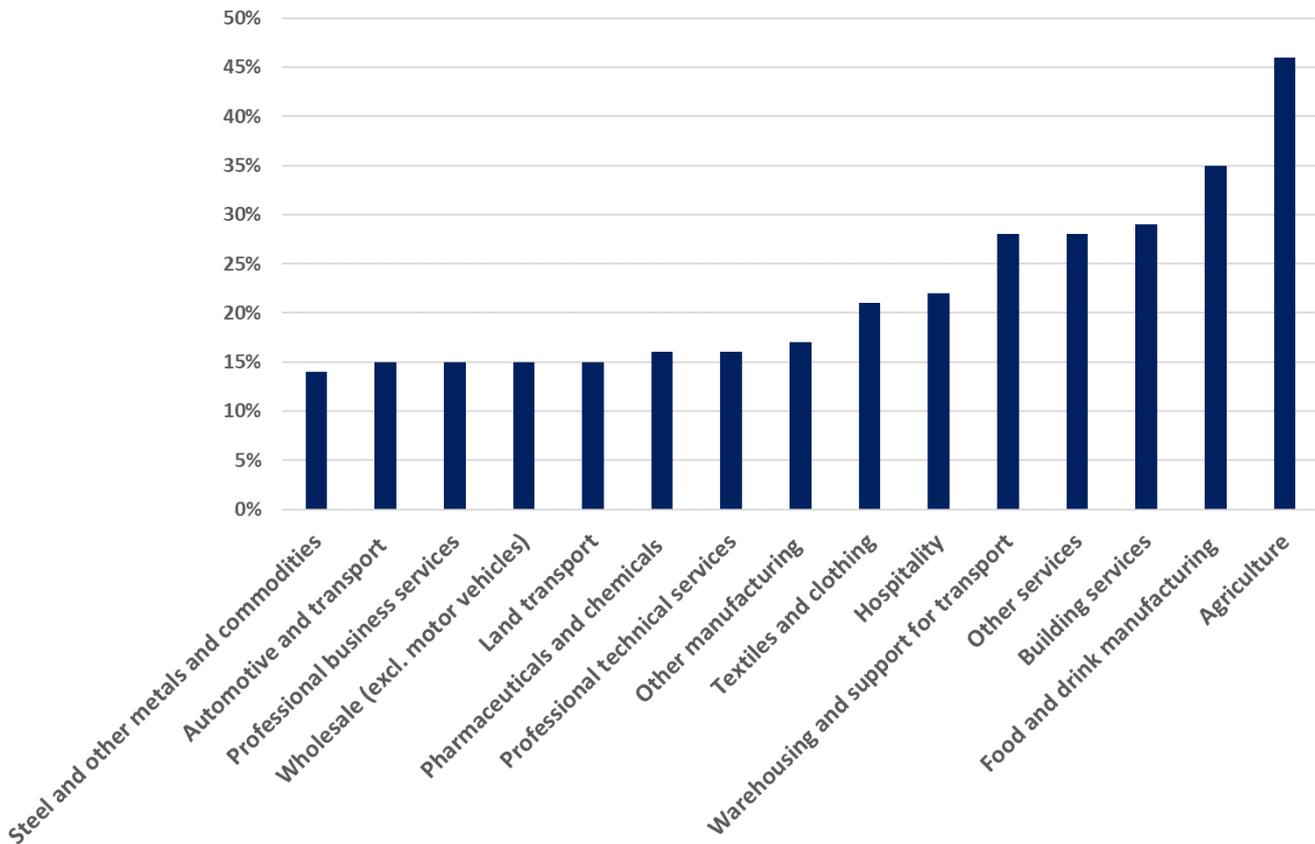


131. The third indicator looks at where sectors see EEA *citizens* account for higher shares of *short-term jobs* undertaken, and so may be more in scope to be impacted by reduced access to short-term EEA citizen employees.

132. The average across the labour market for the *reference year* sees *short-term employee jobs* account for around 24 per cent of employee jobs estimated to be undertaken – as one person can do multiple jobs this estimate may not reflect the share of all employees in a sector who may be in the *short-term employee ‘stock’*. The eight sectors towards the right of Figure 15 are above this average. Figure 16 below illustrates the 15 sectors where of all *estimated short-term employee jobs*, for the *reference year*, EEA *citizens* account for the largest shares. The highest proportion seen in Figure 16 is in Agriculture.

⁹⁴ See Table 3 above, and the Technical Annex published alongside this document for more detail on this analysis

Figure 16: 15 sectors with EEA citizens accounting for largest shares of all employee jobs estimated to last for up to 12 months (HMRC PAYE RTI and MWS analysis, Reference Year 2016/17)⁹⁵



133. There are a number of points to note surrounding this analysis for the second and third indicators:

- Not all those undertaking short-term employee work are necessarily short-term migrants. Resident UK and non-UK citizens could supply employee labour for short periods in between other activities, such as working during holidays as a student for example.
- Analysis by sector reflects the sector through which an employee is paid. The 'Other Services' sector includes employment agencies – some agency employees may be supplying labour to other sectors of the labour market whilst being paid by employment agencies.
- *HMRC analysis* for these indicators is based on the classification of jobs into estimated *short-term employee jobs* (and longer-term jobs for the second indicator) – the distribution of 'intermittent' jobs (i.e. not able to be classified into standard categories) can affect these estimates.

134. Summarising the information from the second and third indicators suggests sectors such as Agriculture, Hospitality, Building Services, Other Services and Warehousing may be among those who may see *short-term employee jobs*, and EEA citizens undertaking *short-term employee jobs*, play more prominent roles in their current use of employee labour.

Administrative impacts

135. Any additional applications received under Tier 5 routes will also lead to **administrative impacts** for employers and Home Office. It might involve additional sponsorship or visa fees which could have behavioural impacts, and cost and revenue implications.

Community, social and congestion impacts

136. Given the temporary nature of short-term migrants, **community, social and congestion impacts** are expected to be minimal. Where the Migration Advisory Committee has reviewed evidence in these areas it has suggested whilst it believes "a cycle of temporary migrants may not be good for

⁹⁵ See Table 3 above, and the Technical Annex published alongside this document for more detail on this analysis

communities”⁹⁶, available evidence suggests migrants may have limited impacts on prices, and no evidence of impacts on crime or wellbeing⁹⁷.

Highly-skilled workers route (Tier 1)

137. The policy statement sets out policy relating to highly-skilled workers. The UK’s ambition is, in line with the MAC’s recommendations, to create a broader, unsponsored “pure” points-based system, to run alongside the employer-led system, allowing a small number of the most highly-skilled workers to come to the UK without a job offer. This route is not being introduced from January 2021, as the Government has committed to explore these arrangements with stakeholders and to learn from previous experience of similar schemes when designing the new route.
138. In the meantime, from 1 January 2021, the UK’s current highly-skilled routes will be open to EEA citizens on the same basis as non-EEA citizens. These include the newly reformed Global Talent route, the Innovator and Start-up routes. Understanding the impacts of each of these routes and separating out the impacts from the analysis on the more general skilled worker route, is extremely challenging and subject to significant uncertainty, not least to the different types of individuals likely to be catered for by these routes and a wide range of potential behavioural changes. Therefore, any impacts on highly skilled workers have not been quantified, but some may be captured within the quantified analysis above.

Global Talent

139. The Global Talent route aims to attract leaders and individuals showing promise in the fields of science, humanities, engineering, the arts and digital technology who will enrich the UK’s knowledge, economy and society⁹⁸. This route has recently been reformed and expanded to enable a wider pool of individuals with specialist skills in science, technology, engineering and mathematics to come to the UK. This is in line with the Government’s Industrial Strategy commitment to reach expenditure on research and development of 2.4 per cent of GDP by 2027⁹⁹.
140. This route offers a competitive offer to top scientists, researchers and mathematicians.
141. Top scientists, researchers and mathematicians entering the UK through the Global Talent route will be able to benefit from not being required to have a job before applying for this visa; not being required to meet a salary threshold; in some circumstances being able to apply for settlement after 3 years; and being able to move freely between organisations, locations, jobs and roles. They may also benefit from lower fees (endorsement and visa) compared to the current visa fees set for Tier 2 (General) migrants, and employers who may host this cohort are not required to pay the Immigration Skills Charge (ISC). This may make the Global Talent route more attractive to prospective individuals with specialist skills, including in science and research, to be able to gain endorsement compared to the employer-led skilled worker route.
142. The assessment of the impact of these new changes on non-EEA citizens can be found in the IA accompanying those changes in legislation and rules¹⁰⁰.

⁹⁶ Migration Advisory Committee (2018) “EEA Migration in the UK: Final Report”; paragraph 7.55

⁹⁷ Migration Advisory Committee (2018) “EEA Migration in the UK: Final Report”

⁹⁸ <https://www.ukri.org/research/international/global-talent-visa/>

⁹⁹ BEIS November 2017 “Industrial Strategy Building a Britain fit for the future “ pg. 11

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-webready-version.pdf

¹⁰⁰ http://www.legislation.gov.uk/ukia/2020/8/pdfs/ukia_20200008_en.pdf

143. Research collaboration between the UK and the EU has been strong in the past and we would expect this to continue; 13 of the top 20 countries the UK collaborates with on co-authored publications are in Europe¹⁰¹.
144. Estimates of the demand for the Global Talent route by EEA citizens have been calculated by applying the criteria of this route to the population and flows of EEA migrant researchers working in Higher Education using Higher Education Statistics Agency (HESA) staff data. For example, those who are with an Endorsed Funder, and who were appointed at the HE on (or after) 1st September of the relevant academic year are identified as being part of the eligible HE population. The data does not allow for the identification of types of grant and therefore it is assumed everyone who identified using the criteria above will be receiving funding from grants totalling over £30,000 for a minimum of two years in duration. This may therefore overestimate the number of EEA citizens eligible¹⁰².
145. Table 5 provides indicative results. It shows there are around 2,000 EEA citizens a year in the HE population who are eligible for the route; and 1,000 EEA citizens in the HE population are estimated to be eligible to come to the UK a year under the Global Talent route¹⁰³. The total population of EEA researchers in HE was around 26,000 in 2017/18.

Table 5: EEA citizens in HE population who are estimated to be eligible for Global Talent route¹⁰⁴

	2013/14	2014/15	2015/16	2016/17	2017/18
EEA citizens in HE population eligible for Global Talent route	2,400	2,000	2,300	2,200	2,100
<i>Of whom: whose previous employment was abroad (annual inflows)</i>	1,100	900	1000	1000	800

146. These estimates only show the number of EEA researchers in Higher Education who may qualify for the Global Talent route. Researchers work across different sectors and different types of occupations, and so potential demand for the route may be higher than these estimates presented. However, Home Office management information for 2018/19 suggests the majority (over 60 per cent) of migrant researchers entering through the Tier 2 (General) route were sponsored by Higher Education Institutes, suggesting these organisations may be responsible for the majority of the demand
147. The fiscal impacts of the number of researchers coming to the UK through this route have not been quantified, as they may also be counted within the skilled worker modelling above. However, researchers may also bring a number of wider benefits including improvements to productivity and innovation. The Migration Advisory Committee (MAC) has found there is a significant body of evidence suggesting high-skilled migrants make a positive contribution to the level of innovation in their receiving country and whilst there is uncertainty about the impacts of immigration on

¹⁰¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/801513/International-research-innovation-strategy-single-page.pdf

¹⁰² This is based on internal UK Research and Innovation analysis. The population used includes those academic researchers on research only or research and teaching contracts; who work with an Endorsed Funder; whose occupation is covered by the following SOC codes: 211, 212, 215 and 231; and started their contract with the HEI on the 1st of September of the relevant academic year. This means they may have been previously employed elsewhere in the UK including other HEI. For staff researchers on 'research and teaching' contracts they must spend 50 per cent of their time to contribute to a one-off grant or award which has been won in open competition.

¹⁰³ This is estimated by looking at a researcher's previous employment and assuming if their previous employment was abroad then these are inflows.

¹⁰⁴ Estimates have been rounded off to nearest 100, the eligible population is only a sub-set of all EEA researchers, this does not include researchers outside of HEI.

productivity, it found most studies conclude there is a positive impact, particularly for high-skilled migrants¹⁰⁵.

Innovator and Start-up

148. The Innovator and Start-up visas are available to people who want to set up a business in the UK and so may offer a route into the UK for some self-employed EEA citizens – around 17 per cent of EEA citizens resident in the UK are estimated to be self-employed¹⁰⁶. For both routes migrants need to have their business or business idea assessed by an approved body. However, for the Innovator route, migrants must have at least £50,000 in investment funds to set up a new business.
149. It is unclear how many self-employed EEA citizens would apply to use this route. The eligibility criteria aim to ensure only those genuine businesses which have the best chance of improving productivity, innovation and employment in the economy gain endorsement, but may restrict current inflows of EEA self-employed individuals. Given the uncertainty around potential volumes, the impacts of these routes have not been quantified.

Impacts on Employers

150. Some of the proposed policy changes will impose costs on the employers of EEA citizens under the future immigration system, whilst others should reduce costs for existing employers of non-EEA citizens. It currently takes up to 12 weeks to hire a Tier 2 migrant from outside the UK for existing sponsors and up to 20 weeks for new sponsors. New arrangements are expected to substantially reduce this time.

Abolition of the Resident labour market test (RLMT)

151. Currently employers must advertise a job in the UK for 28 days before they can offer it to non-EEA citizens under a number of visa categories¹⁰⁷. Abolishing the RLMT, will benefit employers currently hiring non-EEA workers, as vacancies may be filled approximately four weeks earlier, and non-EEA workers can contribute towards production in the UK at an earlier point. Removing the RLMT is also expected to reduce the administrative burden for employers. Whilst difficult to quantify the monetary impact of this administrative burden on all employers, one study of Russell Group universities estimates removal of the RLMT could save universities £9.84 per RLMT performed to sponsor a non-EEA Tier 2 migrant¹⁰⁸. This estimate only considers a subset of current Tier 2 employers and may not be representative of the administrative burden related to the RLMT for all Tier 2 employers.

Tier 2 Annual Limit

152. Removing the annual limit on Tier 2 (General) workers will remove the current requirement for a monthly 'panel' at which Restricted CoS are granted. Instead CoS can be issued continuously throughout the year, rather than in monthly cycles – removing the administrative burden involved in applying for the monthly panel and delays in the recruitment process. Removing the Tier 2 cap is estimated to reduce the time required to bring a Tier 2 (General) migrant from outside the UK by four weeks.

¹⁰⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

¹⁰⁶ Home Office analysis of ONS Annual Population Survey 2016-2018. This data reflects survey respondents' view of their employment status – freelancers who may be paid as employees may either report as self-employed or employees in this data for example.

¹⁰⁷ <https://www.gov.uk/uk-visa-sponsorship-employers/job-suitability>

¹⁰⁸ EY March 2019 "Challenges and costs of the UK immigration system for Russell Group universities" pg. 17
<https://russellgroup.ac.uk/media/5750/challenges-and-costs-of-the-uk-immigration-system-for-russell-group-universities.pdf>

153. Removing the current cap for non-EEA citizens coming to the UK via the Tier 2 (General) route is not expected to cause a substantial shift in behaviour by employers currently hiring migrants through this route. Following recent policy changes, doctors and nurses, PhD-level occupations, those paid over £159,600 and those sponsored for a job connected with inward investment provisions are not subject to the cap¹⁰⁹. This means current volumes of Tier 2 (General) migrants coming to the UK are above the current cap; and, for those occupations included within the cap, employer demand is below the limit. In January 2020 the total number of restricted Certificate of Sponsorships (RCoS) granted was 1,148, well below the monthly allocation of 2,945 (which included carry over from previous months)¹¹⁰.

Sponsorship requirements

154. Under the new system, requirements to sponsor non-UK citizens could affect:

- **Current Tier 2 sponsors:** There are currently around 31,000 organisations licensed to sponsor migrants under the current non-EEA Tier 2 & Tier 5 system¹¹¹. The Government is seeking to reform the current system and adopt a lighter touch, streamlined approach. This is likely to have impacts on employers who currently hire Tier 2 migrants and will continue to hire skilled migrants in the future. Whilst familiarisation with a new system may place an upfront cost for existing sponsors, they will benefit from a lighter-touch system, reducing the transactional costs incurred by employers from interacting with the sponsorship system. One study of universities indicates the additional admin burden associated with a Tier 2 sponsorship application currently could range from £189 to £1,750 per application, depending on frequency of use¹¹². Research undertaken by Global Future¹¹³ found an average cost to employers per application of £1,000 with an additional £450 for subsequent notifications. These costs are estimated to reduce from 2022 under the new system. It would be expected some employers currently holding a sponsor licence seek to employ skilled EEA citizens or medium-skilled non-EEA citizens in the future. This may require greater interaction with a future sponsorship system. The benefits from reduced transactional costs to employers each time they hire a migrant may be offset by an increase in the number of times they need to interact with the sponsorship system.
- **Potential future sponsors:** Similar costs may also affect employers not currently using the sponsorship system, but who may want to employ skilled non-UK citizens in the future. Alongside these transactional costs, there will be additional upfront cost for employers from obtaining a sponsor licence and familiarising themselves with the system. There are also initial and ongoing costs from ensuring compliance with the system – such as hiring immigration lawyers. The current cost for a sponsor licence is £1,536 for medium and large businesses, and £536 for small businesses¹¹⁴. Future fees are not yet set. It is important to note EEA citizens who are currently living and working in the UK and are eligible to apply for the EU Settlement Scheme will not be in scope of these changes and will be able to continue to live and work in the UK as they currently do. There will be no requirements on employers to sponsor EEA citizens eligible to apply to the EU Settlement Scheme. The policy changes only apply to EEA citizens who will move to the UK when the future immigration system is implemented.
- **Tier 5 sponsors:** Employers wishing to employ EEA citizens under Tier 5 routes would need to hold a valid sponsor license and issue a certificate of sponsorship for each EEA citizen they wished to sponsor under these routes. There are currently around 4,400 licensed sponsors for

¹⁰⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836921/2019.06.05_-_MAAP_guidance_FINAL1.pdf

¹¹⁰ <https://www.gov.uk/government/publications/employer-sponsorship-restricted-certificate-allocations/allocations-of-restricted-certificates-of-sponsorship#january-2020>

¹¹¹ Home Office March 2020 “Register of Sponsors Licensed Under the Points-based System”
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/869691/2020-03-02_Tier_2_5_Register_of_Sponsors.pdf

¹¹² EY March 2019 “Challenges and costs of the UK immigration system for Russell Group universities”

¹¹³ Global future 2019 “Closing the door – the true cost of the immigration white paper”

<https://ourglobalfuture.com/reports/closing-the-door-the-true-cost-of-the-immigration-white-paper/>

¹¹⁴ See <https://www.gov.uk/uk-visa-sponsorship-employers/apply-for-your-licence>.

Tier 5 routes¹¹⁵, around 46 per cent under the Creative and Sporting route, around 24 per cent under the Religious Worker route, around 22 per cent under the Charity Worker route and the remainder spread across other routes. It is unclear if opening Tier 5 routes to EEA citizens would lead to additional employers registering to become sponsors or if, given the relatively niche areas, employers in those areas who would want to become sponsors have already done so. If additional firms become sponsors, current fees¹¹⁶ are £536 for a sponsor application, and £21 fee for each Certificate of Sponsorship they are allocated. New sponsors may also face time costs in fulfilling the administrative criteria needed for successful sponsor applications and use of the sponsorship system.

Immigration Skills Charge

155. Employers wanting to employ EEA citizens through the skilled worker route in future may also be required to pay the Immigration Skills Charge (ISC). The ISC is a levy currently charged on employers who employ non-EEA citizens through the Tier 2 (General) and Tier 2 (Intra Company Transfer) routes, which is used to invest in domestic skills training. This may affect the decision of employers to hire a migrant, as it imposes an additional cost on employers. The ISC is currently set at £1,000 (or £364 for small or charitable sponsors) for the first 12 months of a worker's employment with a sponsor, and £500 (or £182 for small businesses and charitable sponsors) for each subsequent six months¹¹⁷. The revenue raised from the ISC will depend on the future level of the charge, the number of migrant workers using the future system and length of stay of those workers.

Students

156. The future immigration system will affect all students on courses of all durations, although the most significant changes will affect EEA students who will be subject to the same immigration system and requirements as other international students from 2021. The decision to come and study in the UK is determined by many factors, such as cultural links; quality of education; employment, cost of education; language; or further study opportunities associated with chosen education course or institution and other reasons.

157. The future immigration system proposes a single, global system which will be points-based and build on the current system for non-EEA citizens. It will be open to all international students, including EEA students studying on courses lasting longer than six months, such as those in independent schools, further education or higher education institutions. Applicants will need to have been offered a place on a course at a registered institution, meeting the relevant English language requirements and having sufficient funds to support themselves. There will also be a new Graduate route under the future system which will allow graduates at degree level or above who studied at a higher education provider with a track record of compliance to look for work after graduation and allow them to work without restriction for up to two years.

Higher Education

158. The Higher Education Statistics Agency (HESA) provides data on students at higher education level. The latest data for 2018/19 suggests around 140,000 EU domiciled and 340,000 non-EU domiciled students were enrolled in higher education institutions in the UK. Of these, there were around¹¹⁸:

- 130,000 full-time EU and 320,000 full-time non-EU students.
- 15,000 part-time EU and 25,000 part-time non-EU students.
- 100,000 EU undergraduate students and 170,000 non-EU undergraduate students.

¹¹⁵ Home Office 'Immigration statistics data tables, year ending December 2019'. Tables CoS_02.

¹¹⁶ See <https://www.gov.uk/government/publications/visa-fees-transparency-data>. Data given in £19/20 prices.

¹¹⁷ <https://www.gov.uk/uk-visa-sponsorship-employers/immigration-skills-charge>

¹¹⁸ Higher Education Statistics Agency (HESA) 2018/19 "Where students come from and go to study" Figure 8. Figures may not sum to rounding. <https://www.hesa.ac.uk/news/16-01-2020/sb255-higher-education-student-statistics/location>

- 40,000 EU postgraduate students and 170,000 non-EU postgraduate students.

159. To measure the impact of policy on international students, a baseline in the absence of any policy intervention has first been modelled. The change in the volume of international students as a result of the policy, is then measured against the baseline to assess the potential impacts on the tuition fee income of universities and the impact on the government's fiscal position. More information on the methodology of the analysis can be found in the Technical Annex published alongside this document.

Impact on EU students

160. The graduate visa imposes a restriction on the length of time EU students can work in the UK post-graduation – with unrestricted work being limited to two years post-graduation. The impact of this restriction, compared to freedom of movement, is expected to reduce EU inflows, as students might be deterred from coming to the UK to study. The impact of this restriction, and of the restriction on dependants has been estimated below. Other measures such as proof of funds and employment rights might have an additional deterrent impact – but there is little evidence on which to base an estimate. The impact of any administration cost or visa fee or change to student funding will also impact student choices. Therefore, the estimates presented here will only reflect the potential impacts from changes in immigration policy and not the overall impacts on EU student numbers.
161. Longitudinal Education Outcomes (LEO) data, which provides information on student destinations after graduation, has been used to estimate the impact of the post-study work restriction on EU students. LEO data shows there is a significant difference between the proportion of EU and non-EU students in work post-education – with EU students, who currently face no restrictions, being up to 20 percentage points more likely to be working in the UK 2 years after graduation than non-EU students (who are restricted to between 7 days and 6 months job search before they have to transfer into immigration work routes)¹¹⁹, depending on the level, institution, and length of study¹²⁰.
162. In order to make a broad estimate of the potential impact of restricting the post-study work rights of EU migrants, the difference in work outcomes has been used as a proxy for the change in student inflows which might result from the change. When the average proportion of non-EU inflows in work after two years is applied to baseline EU inflows, there is an implied reduction of up to 20 per cent in EU student inflows. For modelling purposes, it is therefore assumed EU student inflows will be up to 20 per cent lower as a result of the introduction of the graduate route¹²¹. This estimate should be treated as indicative and is highly uncertain - the difference observed in the LEO data may not directly stem from the difference the post-graduate work 'offer' and there are other factors which could influence whether a student might come to the UK. It is likely the 20 per cent reduction in inflows is a high estimate of the potential impact as this does not take into account changes to extend the post-study work period to two years, which may reduce the estimated deterrent impact. The estimate also does not consider any deterrent from the administrative process or visa fees.
163. The restrictions on the rights to bring dependants, which will apply to EU students from 2021, may also have an impact on inflows under the future system, as only those who are studying a full-time course which is a least nine months long at a postgraduate level of study are allowed to bring family members to the UK. HESA data for 2018/19 estimates around 27 per cent of all full-time EU students were on postgraduate level courses, however, this may be an overestimate as it includes students who are on courses for less than nine months¹²². The deterrence impact is estimated to be up to 5

¹¹⁹ Home Office "Tier 4 of the Points-Based System – Policy Guidance" Page 65, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/843003/T4_Migrant_Guidance_October_2019.pdf

¹²⁰ This is based on the latest cohort, which is 2012/2013 and the largest impact has been rounded to the nearest 5 per cent.

¹²¹ This is rounded to the nearest 5 per cent.

¹²² Higher Education Statistics Agency (HESA) 2018/19 "Where do HE students come from?" <https://www.hesa.ac.uk/data-and-analysis/students/where-from>

per cent¹²³, and this is based on bespoke Survey of Graduating International Students (SOGIS) 2017 data which provides an indication of how many EU students have children¹²⁴.

164. Applying these potential deterrents, the reduction in EU student inflows are estimated to be around 15,000 per annum¹²⁵ in the first five years of the policy¹²⁶.
165. In order to estimate the longer term impact of reduced inflows on the stock of EU student migrants in higher education, expected length of study data for academic year 2017/18 from Higher Education Statistics Agency (HESA) is applied to the change in inflows, leading to an estimate of up to 25,000 fewer EU higher education students in the UK by academic year 2024/25 relative to the baseline¹²⁷. However, any places not taken by EU students may be occupied by non-EU students, so the overall impact on foreign student numbers is not clear. Additionally, there will be further benefits for non-EEA students, which are discussed below.

Impact on non-EU students

166. The introduction of the graduate visa relaxes current restrictions on post-study work for non-EU students and therefore is likely to have a positive impact on non-EU student inflows. The size of any increase is uncertain; but based on the average percentage increase in enrolments in the period of the last post-study work visa¹²⁸, estimates suggest non-EU enrolments might increase by up to 10 per cent¹²⁹, depending on the level of study. This assumption is very uncertain, not least because other drivers could have affected non-EU inflows over the period of the last post-study work visa.
167. The assumption of around 10 per cent increase in enrolments is estimated to lead to an average annual increase in non-EU enrolments by around 25,000 over the first five years of the policy¹³⁰. Using the outflow methodology outlined above for non-EU students, the stock of non-EU students in higher education is estimated to gradually increase over the first five years of the policy period, leading to an estimated increase of around 35,000 – 40,000 additional non-EU students per year on average over the first five years¹³¹.
168. The analysis outlined above is highly uncertain and should be treated as indicative. Migration flows are largely challenging to project as they are often affected by a wide range of factors, such as economic and political drivers. The baseline projections are based on historical trends, and they are not always indicative of future forecasts. The analysis does not account for the impact of any changes to tuition fees, nor does it account for other immigration-specific policy proposals such as the potential impact of visa fees and the Immigration Health Surcharge, or proof of funding, which may also have a deterrent impact.

Graduate route

169. The estimates outlined above account for the changes in EEA and non-EEA student enrolments in higher education as a result of the introduction of the graduate visa. However, increasing the post-study work period for non-EEA graduates is expected to lead to more non-EEA migrants in the UK

¹²³ This is rounded to the nearest 5 per cent.

¹²⁴ Survey of Graduating International Students (SoGIS) by Economic and Social Research Council Centre for Population Change, Office for National Statistics and Universities UK

¹²⁵ This is rounded to the nearest 5,000.

¹²⁶ EU and non-EU students volumes are based on domicile. The first five years are assumed to be from academic year 2021/22 to 2025/26.

¹²⁷ This is rounded to the nearest 5,000.

¹²⁸ This was introduced in 2008 and closed down in 2012. Estimates are based on the average increase in HESA non-EU first year enrolments between 2008 – 2011. Whilst the visa route was closed down in 2012, inflows for 2011/12 were excluded as the announcement was made in 2011.

¹²⁹ Rounded to nearest 5 per cent

¹³⁰ This is rounded to the nearest 5,000.

¹³¹ This is rounded to the nearest 5,000.

after graduation either in work or looking for work, relative to the current system. The post-study work period for EEA graduates will be restrictive compared to under free movement, and this is expected to lead to a reduction in the volume of EEA migrants on the graduate visa either in work or looking for work. However, those on the graduate route will be allowed to work unrestricted and this will provide additional flexibility to businesses, as it may partially offset the reduction in workers who do not meet the skills and salary thresholds of the skilled worker route.

170. It is difficult to estimate the demand for the graduate route under the future system as it is a new route and there is limited evidence on what the expected demand for the route could be. Where some insight is available, the Survey of Graduating International Students (SoGIS) in 2017 shows the plans of international students after study, and this can be seen in Table 6¹³². The table shows around 26 per cent of EU final-year students and around 19 per cent of non-EU final-year students want to look for a job in the UK after graduation, and this could be used a proxy to estimate demand for the graduate visa under the future system. However, these figures may underestimate demand for the route as there may also be final-year students who have other intentions after study (such as taking up further study or looking for a job outside of the UK), who may be also be incentivised to switch to the graduate route under the future system.

Table 6: International students plans after study, by nationality (2017)¹³³

Plans after study ¹³⁴	EU (excl. UK) ¹³⁵	Non-EU ¹³⁶
Further study in the UK	13.7%	15.1%
Further study outside the UK	16.5%	8.2%
I don't know yet	11.0%	10.7%
Look for a job in the UK	25.6%	18.7%
Look for a job outside the UK	13.5%	21.3%
Take up a job offer I already have in the UK	8.7%	5.4%
Take up a job offer I already have outside the UK	6.4%	12.2%
Travel in the UK	1.1%	1.3%
Travel in the UK + outside the UK	1.7%	3.8%
Travel outside the UK	1.8%	3.2%
Total	100.0%	100.0%

171. However, a limitation of the SOGIS data is the post-study intentions of more recent graduates may differ from the data collected for 2017, especially in response to recent policies related to the future immigration system. A further caveat of using survey data is intentions of the respondents may not always be the same as their eventual behaviour, and therefore may not be the most appropriate measure to estimate the potential demand for the route.

University impacts

172. There are two main impacts on universities resulting from the introduction of the changes:

¹³² Survey of Graduating International Students (SoGIS) by Economic and Social Research Council Centre for Population Change, Office for National Statistics and Universities UK. Users of SoGIS data should note the representativeness of the survey results when interpreting findings. A total of 3,560 responses were provided and the overall response rate was 3.5 per cent. Non-response bias can be a problem where response rates are low as the characteristics of respondents to the survey may be different to the characteristics of those who did not respond. The SoGIS does appear to oversample postgraduate students and nationals of some countries. Therefore, caution should therefore be taken when interpreting results by nationality and programme of study. For more information about response rates and the representativeness of the SoGIS, please refer to the [technical report](#) published by the Centre for Population Change.

¹³³ Bespoke SoGIS data 2017, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/surveyofgraduatinginternationalstudentsuk>

¹³⁴ Based on participants' answers to question 19 in the Survey of Graduating International Students

¹³⁵ Based on participants' answers to question 10 in the Survey of Graduating International Students

¹³⁶ Based on participants' answers to question 10 in the Survey of Graduating International Students

- Under the future system, universities which are not a registered Tier 4 institution will require a license if they want to continue to offer places to EEA students under the future system. There are currently 1,200 educational institutions licensed to sponsor students under the current non-EEA Tier 4 points-based system¹³⁷. Internal Home Office analysis found around 1 per cent of universities currently offer places to EU students but do not have a Tier 4 sponsorship license¹³⁸, suggesting the impact of this change on universities will be small.
- Changes in the numbers of students enrolling will affect tuition fee income for universities. Overall, projected tuition fee income is estimated to increase under the future immigration system. This is primarily driven by the increase in tuition fee income from additional non-EEA students which is expected to more than offset the decline in EEA student tuition fee income. The increase is estimated to be between £1 billion and £2 billion over the first five years of the policy¹³⁹. Estimates do not take any account of behavioural impacts, nor any changes in universities expenditure.

173. EU students are currently classified as ‘home’ students, and therefore benefit from accessing student loans and paying domestic tuition fees which are currently capped at £9,250 for undergraduates. Estimates above assume home fee status and access to student loans will remain the same as the current system. However, any changes to this will have an impact on both EU student enrolments and the projected tuition fee income of universities.

Fiscal impacts

174. Overall estimates of the fiscal impact of international students show a positive impact on public finances as they tend to be young, have few dependants and are therefore unlikely to have a significant impact on public services such as healthcare or social services. This impact can nonetheless vary depending by citizenship. For example, in its report for the Migration Advisory Committee, Oxford Economics found EEA students between the ages of 16 and 35 have a net average fiscal cost of around £4,000¹⁴⁰. This is broadly in line with internal Home Office analysis which estimates EU students currently represent a net fiscal cost to the UK government, largely attributed to the cost of student loans. As non-EU students cannot access student loans, they are estimated to provide a net fiscal contribution to the economy.

175. As a result of changes to net student enrolments modelled above, a cumulative net fiscal benefit is estimated of under £1 billion over the first five years of the forecast period¹⁴¹. The net increase in international student inflows continues to increase to a steady state after the five-year period we consider, and this means in-year fiscal contributions will be increasing until this steady state is reached.

Further Education

176. Information on international students in further education is limited¹⁴². However, the Association of Colleges (AoC) suggests around 2 per cent of total students in further education in England were

¹³⁷ Home Office March 2020 “Register of Licensed Sponsors: Students”

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/865870/2020-02-14_Tier_4_Register_of_Sponsors.pdf

¹³⁸ This was based on matching exercise between HESA data and the Tier 4 registered list of sponsors.

¹³⁹ All estimates under £1bn are rounded to the nearest £0.1bn, whilst estimates above £1bn are rounded to the nearest billion.

¹⁴⁰ Oxford Economics January 2020 “The fiscal contribution of EU migrant” pg 19,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/861246/Oxford_Economics_-_Fiscal_Contribution_of_EU_Migrants.pdf

¹⁴¹ All estimates are rounded to the nearest billion.

¹⁴² Migration Advisory Committee September 2018 “Impact of international students in the UK” pg 25,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739089/Impact_intl_students_report_published_v1.1.pdf

EU citizens in 2017/18¹⁴³. AoC's survey found there were around 384 EU students on average in English colleges in 2017/18. This number increased by 9 per cent from 353 EU students in 2016/17.

177. The administrative burden and the cost of applying for a Tier 4 visa may deter some EEA students from coming to study further education in the UK but this impact is difficult to quantify. For those EU students who are required to pay tuition fees, any reduction in student volumes will lead to a fall in tuition fee income for further education colleges. Any changes to tuition fees are outside the scope of this Impact Assessment

Independent schools

178. EEA child students will require a Tier 4 (child) visa to come and study in the UK under the future system, unless they acquire a right to study having come as a dependant of an adult migrant, such as a worker.
179. Around half of UK independent schools are members of the Independent Schools Council (ISC)¹⁴⁴, which accounts for around 80 per cent of all independent school children. Home Office visa data is not available for EEA child students, but ISC data provides a valuable insight into the volumes of international students studying at independent schools. There were around 55,280 international child students at independent schools in the UK in 2019 according to the ISC, and around 30 per cent of these were EEA students (around 18,000 in absolute terms)¹⁴⁵.
180. Some EEA child students may be deterred by the administrative burden of the Tier 4 route, and this may lead to a reduction in EEA child inflows. However, this is difficult to quantify accurately.

Short-term study

181. EEA students looking to study for up to six months should be able to do so on the same basis as other non-visa citizens under the future system, and they will be required to obtain a short-term study visa upon arrival at the border¹⁴⁶. This means EEA students will be able to attend short-term courses for up to six months provided they meet requirements of the short-term study visa and study at an accredited provider. Whilst some students may be deterred by the requirement of a short-term study visa, English UK found on average, EU students tended to stay for just over two weeks¹⁴⁷. This could suggest the majority of EU students may be unaffected by limiting the short-term study period, as they could come as a visitor as this will be under the 30-day limit for visitors.
182. Limiting the number of institutions EEA short-term students can study at, by restricting such study to accredited institutions may have business impacts. English UK also found there were 419 member centres in 2018. However, there may also be many other centres which operate without any accreditation and only teach EEA students. These institutions may face additional costs, such as acquiring a sponsorship license to continue to offer English language courses to EEA citizens.
183. There is currently limited data on other types of short-term study, and therefore it is difficult to quantify the impact of those EEA students who would come on these types of courses. Therefore, any EEA

¹⁴³ This estimate is only based on nationals from EU27 countries.

Association of Colleges 2018 "International Activity in Colleges" pg. 11

https://www.aoc.co.uk/sites/default/files/AoC%20International%20Survey%20Report%202018_1.pdf

¹⁴⁴ Independent Schools Council 2019 "ISC census and annual report 2019" pg. 2

https://www.isc.co.uk/media/5479/isc_census_2019_report.pdf

¹⁴⁵ These volumes do not include those in state-funded schools as the data regarding international child students and state-funded schools is limited. State funded schools are not allowed to acquire a Tier 4 license as they are funded by the public. However, EEA child students will be allowed to access state education without breaching the terms of their visa if they come to the UK as a dependant of someone who comes through the visa route.

¹⁴⁶ Unless they come for an English language course, then they are allowed to stay for up to 11 months on the short-term study visa.

¹⁴⁷ Page 11, English UK May 2019 "Student Statistics Report 2019" pg.

https://www.englishuk.com/uploads/assets/members/publications/statistics/2019/2019_Student_Statistics_Report_WEB.pdf

student who comes on a non-English language course which lasts more than six months may be deterred from coming, as they will require a Tier 4 visa.

E.2 Impact of Entitlement to enter or remain without leave for Irish Citizens

184. The Immigration and Social Security Co-ordination (EU Withdrawal) Bill protects the status of Irish citizens in UK immigration law post EU Exit, reflecting the historical ties between the UK and Ireland. This status for Irish citizens existed prior to the UK's membership of the EU. Specifically, the Bill will protect the immigration status of Irish citizens in UK law once their free movement rights end. It further provides for rights in addition to those associated with EU free movement. Irish citizens will continue to have a right to enter and reside in the UK as now unless they are subject to an exclusion order or deportation order or travel ban, noting it is longstanding Government policy only to pursue deportation against Irish citizens in exceptional circumstances.
185. The Bill will remove an existing distinction based on an Irish citizen's point of departure to the UK. The Immigration Act 1971 provides Irish citizens entering the UK from Ireland not to require leave to enter. However, when arriving from elsewhere Irish citizens are subject to immigration control, drawing on EU free movement rights for their right to enter and remain. The effect of this existing legislation in its totality has been all Irish citizens enjoy the same right to enter and remain. But, when free movement ends, there will be a gap in the legal framework. The Bill removes this distinction based on point of departure, consolidating these rights based on a person's citizenship.
186. In the year to September 2019 around 0.3 million Irish citizens were estimated to be resident in the UK¹⁴⁸. In the year to September 2019 there were 2.3 million visits to Great Britain from Irish citizens¹⁴⁹. NISRA estimates in 2018, 591,000 overnight trips to Northern Ireland were made by residents of Ireland¹⁵⁰.
187. The provision in the Bill is required to clarify status of Irish citizens, when entering the UK from outside the Common Travel Area (CTA), given the Bill repeals EU free movement rights, which apply to Irish citizens as EEA citizens. The provision, therefore, is expected to have no significant impact for Irish citizens. However, non-British/Irish family members of Irish citizens will be subject to the provision applicable to the future immigration system.

E.3. Impact of Social Security Co-ordination Provisions

“The power to modify direct retained EU legislation relating to Social Security Co-ordination”

188. EU Regulations 883/2004, 987/2009, 1408/1971, 574/1972 and 859/2003 set out the current EU framework for social security co-ordination, access to certain benefits and reciprocal healthcare for UK citizens, EEA citizens, and Swiss citizens who move between the UK, the EEA States, and Switzerland, being those individuals, whose social security situation is not confined to a single Member State (“MS”). Amongst other things, the Regulations ensure a worker (and their employer) or a self-employed person only pays social security contributions (National Insurance contributions (“NICs”) in the UK) into one country's scheme at a time. The Regulations also set out how periods of insurance, employment and residence in another MS are taken into account in determining benefit and pension entitlement, known as “aggregation”.

¹⁴⁸ Home Office analysis of ONS Annual Population Survey October 2018 - September 2019. It should be noted these data are from a sample household survey. As such estimates are subject to uncertainty due to sampling variation and weighting processes, will exclude non-resident workers and some of those in communal establishments – as such some groups (e.g. short-term non-resident workers and recently arrived long term migrants in hotels/hostels etc.) may be underrepresented.

¹⁴⁹ Data calculated using Visit Britain 'Latest Quarterly Data for UK overall' (based on ONS International Passenger Survey). Data is for the year to September 2019 and covers Irish citizens visiting for any reason

¹⁵⁰ NISRA (2019) 'External Overnight Trips to Northern Ireland' Table 3
<https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/External-Overnight-Trips-to-NI-2018-Additional-Tables%281%29.XLSX>

189. The Regulations also set out the rules for deciding when an individual moves to another MS, which MS(s) are responsible for paying benefits, pensions and healthcare costs for the individual. The rules ensure, where a MS is responsible, it treats any EU migrant on an equal basis with its own citizens. The social security coordination rules are underpinned by a system of administrative cooperation between EU MS. These cover, for example, data sharing between the relevant institutions in each MS. Without these rules, individuals might be required to pay into two systems and the contributions made in the years they work in one EU MS may not be taken into account when assessing whether they meet domestic eligibility criteria in another EU MS (the principle of aggregation), for example, on the contribution thresholds for a state pension.
190. The provision in the Bill allows amendments to be made to retained EU law concerning social security coordination, allowing the UK to implement policy changes at the end of the transitional period. For example, in relation to rules concerning the export of UK benefits to EU MSs for those persons who are not covered by the withdrawal agreement. In 2018/19, over £2 billion was spent on exporting UK benefits abroad to around 500,000 claimants living in the EEA¹⁵¹. Over 90 per cent of this expenditure was on State Pension (which is payable worldwide under domestic legislation), and over 90 per cent of recipients of a DWP benefit/pension in the EU were UK/Irish citizens. Around 90 per cent of UK State Pension recipients in the EU are residing in current EU member states who joined prior to 2004¹⁵², with over 60 per cent residing in three countries; Ireland (around 25 per cent), Spain (around 20 per cent) and France (around 15 per cent). The UK pays the pensions of UK (and EU Member State) citizens in the EU who have contributed to the UK system. This is part of reciprocal arrangements where EU Member States are also obliged to pay pensions in the UK to UK and EU Member State citizens. The weekly average (mean) amount of UK State Pension for those in the EU is currently £80 compared to £152 in Great Britain.¹⁵³
191. Additionally, the current SSC regime ensures a worker (and their employer) or a self-employed person only pays social security contributions into one country's scheme at a time. In 2018, the UK issued approximately 49,000 certificates to UK citizens working in the EU to demonstrate they would remain liable for National Insurance Contributions in the UK and are therefore not required to pay social security contributions in an EU Member State, even while working abroad¹⁵⁴. For example, employed or self-employed individuals going to work overseas for a defined period of time, known as 'Posted Workers', or individuals working in two or more Member States at the same time, known as multi-state workers.
192. The SSC power within the Bill may be exercised by the Secretary of State, the Treasury, or where appropriate a devolved authority, to make regulations (under the affirmative procedure) to implement new policies regarding social security co-ordination, including, for example, rules determining when the UK is competent to pay benefits to, or in respect of, those individuals residing in an EU MS. Such regulations can make different provision for different categories of person and for different purposes. This provision also allows supplementary, consequential, and transitional (etc.) provision amendments to be made to any provision made by or under primary legislation and to retained direct EU legislation not listed in the provision, to ensure changes to the social security coordination regime are reflected, where necessary, in related legislation.

¹⁵¹ <https://www.gov.uk/government/publications/immigration-and-social-security-co-ordination-eu-withdrawal-bill/policy-equality-statement-social-security-co-ordination>

¹⁵² These countries include: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden. Note the Republic of Ireland would usually be included in this group, but for the purposes of this publication are treated separately

¹⁵³ Further analysis on demographics and protected characteristics is presented in the Policy Equality Statement: <https://www.gov.uk/government/publications/immigration-and-social-security-co-ordination-eu-withdrawal-bill/policy-equality-statement-social-security-co-ordination>

¹⁵⁴ Table A2.28

http://ec.europa.eu/social/main.jsp?advSearchKey=ssc_statsreport&mode=advancedSubmit&catId=22&policyArea=0&policyAreaSub=0&country=0&year=0

193. This provision also provides for the disapplication of directly effective rights which have been incorporated into UK law by section 4 of the European Union (Withdrawal) Act 2018 to the extent those rights conflict with the exercise of this power, i.e. for those not in scope of the Withdrawal Agreement. This approach is aligned with the position adopted in other policy areas.
194. The final policy on social security co-ordination is subject to the outcome of negotiations with the EU and at this point in time it is not possible to make any detailed analysis on the impact of future amendments to the retained social security co-ordination.
195. This is because the SSC provision **does not introduce any policy changes**. It provides the legal framework to make changes to the retained social security co-ordination regime in the future. Further Impact Assessments will accompany any proposed changes, where impacts will be analysed in further detail. A Policy Equality Statement has been undertaken in support of this Bill.¹⁵⁵
196. On 27 February 2020, the UK Government published its approach to future relationship negotiations with the EU, including on social security coordination.¹⁵⁶ The Government has set out the UK is ready to work to establish practical, reciprocal provisions on social security coordination. Any agreement should be similar in kind to agreements the UK already has with countries outside the EU and respect the UK's autonomy to set its own social security rules.
197. The government has also been clear in its manifesto that there will be changes to future social security coordination arrangements including, as announced at Budget 2020, stopping the export of child benefit.
198. Any policy changes will not affect those in scope of the Withdrawal Agreement for as long as they remain in scope of the agreement and meet eligibility criteria, no UK and Irish citizens moving between the UK and Ireland.

F. Proportionality

199. The Immigration and Social Security Coordination (EU Withdrawal) Bill introduces changes to primary legislation but does not contain provisions on matters which will be set out in secondary legislation.
200. The approach taken in this IA is considered proportionate given the wide-ranging implications the ending of free movement may have on the UK, but also the evidence available on potential impacts has at times made it difficult to quantify impacts.

G. Risks

201. The following main risks have been identified with the analysis presented in this IA:
- Any analysis of the impacts of changes in migration are highly uncertain. All estimates should be seen as indicative. Projecting migration flows is challenging due to the wide range of drivers which themselves can be inherently uncertain. Analysis should be considered in the context of the wider economy and the labour market being dynamic and continually adapting to an evolving environment.
 - Modelling is not dynamic, meaning estimates of the potential impacts do not attempt to quantify adjustment by firms or the behavioural response of migrants. For example, it does not estimate the extent to which employers may invest in automation as a response to changes in access to migrant labour, nor does it estimate the number of UK workers who might replace lost workers. The impact in some areas is particularly uncertain, due to the reliance on behavioral

¹⁵⁵ <https://www.gov.uk/government/publications/immigration-and-social-security-co-ordination-eu-withdrawal-bill/policy-equality-statement-social-security-co-ordination>

¹⁵⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/868874/The_Future_Relationship_with_the_EU.pdf

assumptions. For example, any increase in non-EEA worker as a result of lower skill and salary threshold is highly uncertain, given this is a loosening of current arrangements.

- The analysis does not include the impact of all the detail of future arrangements. EEA citizens coming to the UK from 1 January 2021 will have to satisfy requirements such as making an application and paying visa fees and other charges. As visa fees under the new arrangements have not been set, the analysis presented does not consider the potential deterrent effect of these requirements on demand.

H. Direct costs and benefits to business calculations

202. The provisions of the Immigration and Social Security Co-ordination (EU Withdrawal) Bill are outlined in Section B. The provisions in the Bill do not include detailed provisions to create particular immigration routes. For that reason, no direct costs or benefits to business have been identified from the provisions included in the Bill.
203. As Section E.1.2 outlined an appraisal of the main changes to the immigration system proposed from 1 January 2021, a discussion of direct and indirect business impacts relating to policy changes is included within this section.

Direct impacts to business

204. Including EEA migrants in the migration system will mean some businesses – employers and education institutions who need to understand, for the first time, the role of sponsorship in work and student migration policy – face familiarisation costs. Detailed guidance for sponsors of workers and students is available on GOV.UK¹⁵⁷; and will be updated in the future to reflect the changes in the system. For employers and education institutions who already use the system, familiarisation costs are likely to be lower than for those who have never used it previously, as many of the duties falling on sponsors will be ones they already undertake.
205. It is difficult to estimate the number of additional sponsors for work migration, as this will depend on which employers decide to employ EEA citizens or medium-skilled non-EEA citizens under the new system and what proportion are already sponsors. The number of additional universities seeking sponsorship licences is expected to be small, as paragraph 172 suggests a small proportion of educational institutions currently enrol EU students without being an existing Tier 4 sponsor. However, paragraphs 176 to 183 outline the limitations in being able to quantify estimates for changes in potential sponsorship for Further Education institutions, Independent Schools, and Short-Term Study institutions. In addition, the work involved for businesses to familiarise themselves with the guidance is not known, as such quantification of these impacts and the potential differential in these impacts cannot be calculated.
206. Sponsorship and other fees such as the Immigration Skill Charge will impose direct costs to business. However, as they are classified as taxes for accounting purposes¹⁵⁸, they are not included in this section.
207. In order to give an assessment of the likely scope of direct business impacts, estimates below have been based on available information on current impacts. It is not possible to fully estimate all the detailed changes that will be made in secondary legislation, but the summary below gives a high-level overview of potential impacts.

¹⁵⁷ <https://www.gov.uk/government/collections/sponsorship-information-for-employers-and-educators>

¹⁵⁸ Public Sector Classification Guidance, Historic Updates, Classification of Transactions and Flows. <https://www.ons.gov.uk/methodology/classificationsandstandards/economicstatisticsclassifications/introductiontoeconomicstatisticclassifications>

Table 7: Overview of direct impacts to business

Impact Category	Type of business affected	Cost or Benefit	Magnitude of impact
Removal of the Resident Labour Market Test (RLMT)	Current sponsors of 'skilled workers'	Benefit	<p>Paragraph 151 illustrates whilst difficult to quantify the monetary impact of this administrative burden on all employers, one study of Russell Group universities estimates removal of the RLMT could save universities £9.84 per RLMT performed to sponsor a non-EEA Tier 2 migrant¹⁵⁹. This estimate only considers a subset of current Tier 2 employers and may not be representative of the administrative burden related to the RLMT for all Tier 2 employers.</p> <p>In 2019 there were around 37,500 entry clearance visas granted to main applicants in Tier 2 (General) and Tier 2 (Ministers of Religion) categories¹⁶⁰. Assuming the estimated £9.84 saving holds for each of these grants, removal of the RLMT may have resulted in a saving of around £400,000. This estimate is uncertain as the RLMT is required before a Certificate of Sponsorship (CoS) is assigned and not all CoS get used and some are returned/reclaimed; and, an RLMT is not required for all roles, for example, those on the Shortage Occupation List.</p>
Removing Tier 2 annual limit	Current sponsors of 'skilled workers'	Benefit	<p>Paragraphs 152 and 153 suggest removing the Tier 2 cap is estimated to reduce the time required to bring a Tier 2 (General) migrant from outside the UK by four weeks, but may be limited in terms of affecting behaviour in choosing to hire migrant workers.</p>
Skilled Worker administrative processes	Current and additional sponsors of 'skilled workers'	Both	<p>Paragraph 154 illustrates current sponsors will benefit from a lighter-touch system, reducing the transactional costs incurred by employers from interacting with the sponsorship system. The section includes results from two studies on the administrative burden to employers of the current sponsorship system, which ranged from £189 to £1,750¹⁶¹ per applicant across the two studies. These costs are estimated to reduce from 2022 under the new system, but there is no quantified estimate of the scale of this reduction.</p> <p>These transactional costs will also impact employers wanting to employ EEA nationals in future. Additional costs for employers of EEA nationals in future will likely vary depending on frequency of use (lending to opportunities for economies of scale) and familiarity with the system. Given an estimated additional 20,000 to 40,000 EEA workers and potentially 10,000 to 30,000 non-EEA workers could be eligible for the skilled work route annually, applying the administrative costs quoted above would imply costs to businesses in the order of millions (or hundreds of millions). This is an order of magnitude estimate only, and further detail would be required to refine the estimate. It is not reflective of future improvements to streamline processes.</p>
Tier 5 administrative processes.	New sponsors of Tier 5 workers, or existing Tier 5 sponsors also sponsoring EEA citizens in future.	Cost	<p>Paragraph 154 also illustrates it is unclear if opening Tier 5 routes to EEA citizens would lead to additional employers registering to become sponsors; but if they did they would face time costs in fulfilling the administrative criteria needed for successful sponsor applications and use of the sponsorship system. Transactional costs may also increase for existing sponsors choosing to sponsor EEA citizens under Tier 5 routes.</p>
Study sponsorship administrative processes	Additional sponsors on study routes	Cost	<p>Any additional sponsors would face time costs in fulfilling the administrative criteria needed for successful sponsor applications and use of the sponsorship system.</p>

Indirect impacts to business

208. Table 8 below sets out indirect impacts to business that may occur as a result of the change in numbers of migrants, and responses to the changes resulting from policies discussed in section E.1.2.

Table 8: Overview of indirect impacts to business

Impact Category	Type of business affected	Cost or Benefit	Magnitude of impact
Potential changes in long-term worker inflows, and limiting short-term migrant labour to Tier 5 routes	Employers of migrant workers	Both	<p>Section E.1.2 outlines policy changes could impact the supply of migrant labour in future, affecting businesses in different ways.</p> <p>Employers of short-term EEA citizen labour may see adjustment costs if flows of short-term EEA citizens who come to work for up to 12 months each year reduce as a result of this labour primarily requiring use of Tier 5 routes.</p> <p>Employers of low skilled long-term EEA citizen labour may see adjustment costs resulting from restricting access to new flows of this labour to those on dependant or study visas.</p> <p>Employers of medium skilled long-term non-EEA citizen labour may see benefits resulting from opening access to new flows of this labour meeting skilled worker requirements. These benefits are expected to more than offset any costs from sponsorship requirements, as otherwise employers would not choose to hire medium-skilled non-EEA citizens through this route.</p> <p>Where adjustment costs are seen impacts are highly uncertain. Paragraphs 94 to 101 outline potential employer responses in more detail.</p>
Tuition fee income for education institutions	Education institutions	Benefit or uncertain	<p>Paragraph 172 illustrates an estimated increase in tuition fee income of between £1 billion and £2 billion for Higher Education institutions over the first five years of the policy¹⁶². Estimates do not take any account of behavioural impacts, nor any changes in universities expenditure.</p> <p>Impacts on Further Education institutions, Independent Schools, and Short-Term Study institutions are uncertain.</p>

209. The tables above illustrate the wide range of potential impacts to businesses from policy changes, however, at this stage understanding if changes will provide a net cost or benefit overall is not possible due to large uncertainties across a range of issues.

¹⁵⁹ EY March 2019 “Challenges and costs of the UK immigration system for Russell Group universities” pg. 17 <https://russellgroup.ac.uk/media/5750/challenges-and-costs-of-the-uk-immigration-system-for-russell-group-universities.pdf>

¹⁶⁰ Home Office ‘Immigration Statistics: Year Ending December 2019’, Table Vis_D01. Data rounded to nearest 100. Categories selected are Tier 2 categories subject to advertising vacancies in line with the Resident Labour Market Test. Some Tier 5 categories are also subject to advertising vacancies in line with the Resident Labour Market Test. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/868220/entry-clearance-visa-outcomes-datasets-dec-2019.xlsx

¹⁶¹ Global future 2019 “Closing the door – the true cost of the immigration white paper”

<https://ourglobalfuture.com/reports/closing-the-door-the-true-cost-of-the-immigration-white-paper/> and EY March 2019 “Challenges and costs of the UK immigration system for Russell Group universities”

¹⁶² All estimates under £1bn are rounded to the nearest £0.1bn, whilst estimates above £1bn are rounded to the nearest billion.

Engagement with stakeholders

210. Building on the extensive programme of engagement in 2019, where the Home Office delivered over 150 events for over 2400 stakeholders, a fresh programme of engagement will commence in March 2020. The focus will be on informing migrants, employers, stakeholders and others of the planned reforms and ensuring those affected by the changes are fully aware of what it means for them, understand how the system will operate and what action they need to take. There will be opportunities for face to face engagement in every region and nation of the UK, alongside traditional communication and media channels.

I. Small and Micro Business Assessment

211. In 2019 there were around 1.4 million employers in the UK private sector¹⁶³. Of these, 97 per cent had between 1 and 49 employees (82 per cent had between 1 to 9 employees and 15 per cent had between 10 and 49 employees)¹⁶⁴. Some of these businesses may be affected by these policy changes.

212. Charitable organisations may also be affected by changes in a similar way to other businesses. In 2018, there were 168,186 charities registered with the Charity Commission for England and Wales¹⁶⁵.

213. The impact on small and micro businesses as well as charitable organisations, will depend on how many of these organisations will need to comply with sponsorship requirements in the future. As for larger businesses, direct costs will include sponsorship costs such as licence and certificate documents, financial requirements such as the Immigration Skill Charge, and familiarisation and ongoing costs, although the cost of these might vary by firm size. Under the current sponsorship system, there are mitigations in place for small and micro-businesses and charitable organisations. Licence fees are charged at a reduced rate for small and charitable sponsors¹⁶⁶. A business is considered small if annual turnover is £10.2 million or less or it has fewer than 50 employees. The licence fee for small and charitable sponsors is £536 when hiring an employee on a Tier 2 visa, compared to £1,476 for a medium or large sponsor.

214. There is little publicly available data on employers that allows us to identify employers who currently employ non-UK citizens, to give an indication of businesses who may be affected by the changes. The Employer Skills Survey (2017) shows the proportion of all employees who are from EU member states increases with the size of the establishment (from 6 per cent of those with fewer than five employees to 15 per cent among those with more than 250 employees)¹⁶⁷. However, available data does not allow identification of small and medium businesses will be affected by the future immigration system, or which charitable organisations employ non-UK citizens. Findings from a recent survey¹⁶⁸ conducted by the Federation of Small Businesses (FSB) found 26 per cent of small employers have at least one member of staff from the EU¹⁶⁹ of which 59 per cent mainly employ their EEA worker at a medium or high skill level.

¹⁶³ Business population estimates 2018. Data rounded to the nearest 100,000.

<https://www.gov.uk/government/statistics/business-population-estimates-2018>

¹⁶⁴ Business population estimates 2018. <https://www.gov.uk/government/statistics/business-population-estimates-2018>

¹⁶⁵ <https://www.gov.uk/government/publications/charity-register-statistics/recent-charity-register-statistics-charity-commission>. Data for 30 September 2018.

¹⁶⁶ <https://www.gov.uk/uk-visa-sponsorship-employers/apply-for-your-licence>

¹⁶⁷ Employer Skills Survey 2017 Department for Education, 2018. Page 32.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/746493/ESS_2017_UK_Report_Controlled_v06.00.pdf

¹⁶⁸ Federation of Small Businesses February 2020 "A world of talent building an immigration system that works for small businesses" pg. 8 <https://www.fsb.org.uk/static/b21f3889-24ba-4dee-93d9fa6136d31a14/A-World-of-Talent-Building-an-immigration-system-that-works-for-small-businesses.pdf>

¹⁶⁹ Excluding Ireland

215. With regards to how small and micro businesses may respond to the immigration policy impact on labour supply, findings from the FSB¹⁷⁰ indicated some firms would adjust using the following processes:
- 17 per cent of small firms said they would employ skilled staff to replace EEA citizens with UK workers.
 - 19 per cent stated they would continue to employ EEA citizens and thus engage with immigration rules and absorb any additional costs.
 - 6 per cent of small businesses who employ staff in roles above RQF3 would invest in machinery and/or information technology and/or automate processes previously completed by their workforce, if they struggle to recruit EEA workers after the end of the transition period.
 - 9 per cent of small firms who employ staff above RQF3 said they would outsource work outside of the UK if they cannot recruit EU workers after the end of the transition period.
216. The Home Office will fundamentally reform its system of assurance, streamlining and digitising the IT platforms and the guidance which supports it. Sponsorship is vital for an effective immigration system – creating a link between employer and employee. Employers take responsibility and ensure immigration compliance for those migrants they choose to employ. Whilst the current system works well for large businesses (for which it was designed), it is recognised there is a perception the sponsorship system can be complex, costly and difficult to use for small businesses and charities. The reforms will make the sponsorship process simpler both for large and for small and charitable organisations and will aim to significantly reduce the processing times for the majority of applications
217. The Government is committed to reforming the system of sponsoring migrants to speed up and simplify the process of bringing over a migrant. The intention is to reduce the time taken to bring over a migrant, which can currently take up to 20 weeks, to two-three weeks in the vast majority of cases.
218. The current sponsorship system is cumbersome to use requiring employers and migrants to take a number of steps that can only happen sequentially. The Government will streamline this to reduce the number of steps and to require information only to be provided once. The Government will update the systems used to remove outmoded requirements (such as that payments can only be made by credit card) and seek to reduce the record keeping burden placed on employers.
219. The abolition of the cap on the number of skilled migrant workers – which requires applications to be held to the end of the month to see whether the cap is oversubscribed and a prioritisation exercise required – and the resident labour market test – which requires jobs to be advertised in the UK for 28 days before a migrant can be recruited – will contribute substantially to reducing the time taken to bring over a migrant.
220. The Home Office is planning to support small and charitable sponsors who will need to familiarise with the system in the future through its communication strategy on the future points-based immigration system. A comprehensive programme of communications and engagement is already underway to raise awareness of the Points Based Immigration System, ensuring those affected by the changes are fully aware of what it means for them and understand how the system will operate. On 9 April, the Home Office published an introduction for employers to the new points-based immigration system. The document contains a section on how to become a sponsor within the immigration system which is likely to be particularly relevant to small (2-50 employees) and medium (51-250 employees) enterprises, which may have previously had little interaction with the immigration system due to reliance on UK and EU labour.

¹⁷⁰ Federation of Small Businesses February 2020 “A world of talent building an immigration system that works for small businesses” pg. 8 <https://www.fsb.org.uk/static/b21f3889-24ba-4dee-93d9fa6136d31a14/A-World-of-Talent-Building-an-immigration-system-that-works-for-small-businesses.pdf>

221. The Home Office runs advisory groups which focus on employers, education, crossing the border, national interests and vulnerability, with each group designed to bring together stakeholders from across the UK, including civil society groups.
222. Additionally, the Home Office will be forming a new advisory group in the near future to support Small and Medium Enterprises. As noted above, such companies may have had limited prior exposure to the immigration system and are likely to manage their HR tasks in-house so their understanding is vital. Engagement will continue via multiple methods across the whole of the UK and focus upon those sectors most impacted as well as continuing to work in collaboration with other Government departments to utilise existing channels of engagement with stakeholders. This engagement will also allow users to preview and give feedback on new parts of the system that will be introduced in later tranches.
223. The engagement programme will be supported by a traditional communications campaign to ensure all audiences who are impacted are told about the changes and what they need to do to adapt to the new system. Guidance for employers has already been prepared and can be downloaded on gov.uk; and further content will be produced to help audiences understand aspects of the system. . All content will be distributed through appropriate engagement groups detailed above; and through OGDs such as BEIS, as well as being available online to download where appropriate. We are also reviewing additional channels to use to reach our audiences, in response to the current focus on COVID-19.
224. The Home Office is also investing into a significant marketing campaign to be delivered towards the end of the year., with a specific focus on UK employers and EEA citizens; as well as ensuring that talented individuals all over the world know that the UK welcomes them. This campaign will be insight-led to enable us to tailor our communications approach to the channels, messages and devices that work for businesses of different sizes, sector and approach to recruitment. It is likely to be geared towards SMEs and micro-businesses who have not previously had to engage with the immigration system and need to understand the new system.

J. Wider impacts

225. Migration, and changes in migration flows, can have impacts on communities. Community impacts include access to local housing, congestion, access to public services, environmental impacts and crime. These are particularly difficult to quantify, as the MAC has found¹⁷¹. Previous MAC analysis considered the impact of migration on cohesion and integration and found at a national level there is limited scope for quantification and monetisation of impacts, although it was suggested analysis at a local level may provide a clearer picture of impacts¹⁷².
226. In its report on *EEA migration to the UK*¹⁷³ the MAC considered the impact of migration on crime and well-being. The report did not find any evidence of migration having an impact on crime. This was found to be the case in either direction; namely migrants are not more likely to be either perpetrators or victims of crime than the resident population. The MAC acknowledged the impact of migration on wellbeing is particularly challenging, given the subjective nature of well-being. The MAC did not find evidence suggesting migration has had a negative impact on subjective wellbeing.

¹⁷¹ Migration Advisory Committee, Analysis of the Impacts of Migration. January 2012. Page 94-96.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/257235/analysis-of-the-impacts.pdf

¹⁷² Migration Advisory Committee, EEA migration in the UK: Final report. September 2018. Page 99.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

¹⁷³ Migration Advisory Committee, EEA migration in the UK: Final report. September 2018. Page 99-100.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

227. In its 2012 report *Analysis of the Impacts of Migration*¹⁷⁴, the MAC discussed whether and how it might be possible to consider the public service and social impacts of non-EEA migration within an economic cost-benefit framework. It concluded, given the existing evidence base does not consider the public service and social impacts of all types of non-EEA migration in the same level of detail, for the foreseeable future any cost-benefit analysis of the impacts of migration can only be partial. The paper identified three main themes from examination of the evidence: the impact of migration in some areas (crime, housing and transport congestion) converges towards the average for UK citizens as migrants remain in the UK over time, a lack of longitudinal data prevents the ability to track individual migrants' behaviour and consumption patterns over their lifetime, and finally, conceptual and data difficulties posed considerable problems in identifying the impacts in some areas (for example, the link between crime and social cohesion).
228. As part of its report on the Impact of international students in the UK¹⁷⁵, the MAC considered the impact of overseas students on the wider community, including health services, transport and housing. The report noted whilst students may have some impact on the communities in which they live, hard evidence is difficult to find. The paper found it is often difficult to separate the impacts of domestic and international students. There is no evidence student neighbourhoods lead to a lower quality of life for other residents. Use of public transport for the purpose of study is low and the impacts of international students are likely to be negligible.
229. The 2008 House of Lords report on The Economic Impact of Migration¹⁷⁶ notes the uneven distribution of net immigration and population density across the UK means some of the issues arising from increasing population growth (partly a result of net immigration) are of greater concern in more crowded areas of the country such as the southeast of England. On housing, The Migration Observatory¹⁷⁷ highlights because recent migrants are particularly likely to be in private rented housing, migration might be expected to affect prices in the private rental market to a greater extent.
230. Overall, the evidence has not found causal links between migration and community impacts. The literature stresses the difficulty of doing this and it has focused on a qualitative discussion of the potential impacts. Community impacts are likely to vary at the local level and be subjective in nature.

K. Trade Impact (qualitative description)

231. The policy changes outlined above are likely to have an impact on migration flows to the UK and these changes may, in turn, have an impact on trade between the UK and the rest of the world.
232. There are a number of channels through which immigration may affect trade and, in general, the external literature finds a positive relationship between the stock of immigrants and trade. At a macro level higher immigration to the UK increases the UK population and consequently aggregated demand and the demand for imports. UK exports may also increase if immigration can enhance the international competitiveness of the UK. For example, Gould (1994)¹⁷⁸ argues immigrants have individual-specific knowledge of home-country markets which could enhance trading opportunities. For example, immigrants may have a greater a knowledge of foreign languages which helps improve communication in trading relationships; and immigrants may have a greater understanding of legal

¹⁷⁴ Migration Advisory Committee, *Analysis of the Impacts of Migration*. January 2012. Page 94-96.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/257235/analysis-of-the-impacts.pdf

¹⁷⁵ Migration Advisory Committee, *Impact of International Students in the UK*. September 2018.

<https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-international-students>

¹⁷⁶ House of Lords Select Committee on Economic Affairs, *The Economic Impact of Immigration*. April 2008. Page 50.
<file:///poise.homeoffice.local/Home/TMS7/Users/MichaelD/My%20Documents/MBA/Pre%20reading/Relevant%20publications/House%20of%20Lords-%20The%20Economic%20Impacts%20of%20Migration.pdf>

¹⁷⁷ Migration Advisory Committee, *Migrants and Housing in the UK: Experiences and Impacts*. November 2017. Page 7.

<https://migrationobservatory.ox.ac.uk/wp-content/uploads/2016/04/Briefing-Migrants-and-Housing-in-the-UK.pdf>

¹⁷⁸ Gould, (1994) 'Immigrant Links to the Home Country: Empirical Implications for U.S. Bilateral Trade Flows'

arrangements which may help lower the fixed costs of trade. Other mechanisms through which immigrants may affect trade include a preference for home-country goods, which could increase the demand for UK imports through an increase in consumption.

233. Genc et al. (2011)¹⁷⁹ provide a meta-analysis of 48 studies and finds, on average, a 10 per cent increase in immigration stock may increase the volume of trade in goods by about 1.5 per cent. For trade in services, Ottaviano et al. (2016)¹⁸⁰ find a 10 per cent increase in the immigrant share increases exports by 3-5 per cent, whilst reducing imports by 1-2 per cent. Dastidar and Balasubramanyam (2015)¹⁸¹ assess the impact of the immigrant stock on services exports for the EU and Commonwealth countries separately and find a 10 per cent increase in the stock of immigrants from EU and Commonwealth countries raise services exports by approximately 2.8 per cent and 4.3 per cent, respectively. The lack of common language, institutions and bureaucratic procedures may explain the lower elasticity for EU countries and the lower potential to contribute to services exports.
234. The extent to which policy changes will impact on goods and services trade depends on the extent to which policy changes affect the overall UK population. Different policy changes are likely to affect trade flows in different ways and, therefore, the overall impact on trade has not been quantified. For example, the changes for skilled workers may reduce immigration by EU citizens, whilst increase immigration from non-EU citizens.
235. In addition, any changes affecting EU business visitors will also impact on trade. The external literature points to a positive relationship between business visit and trade. Oxford Economics (2016)¹⁸² find a 1 per cent increase in business travel boosts trade by 0.05 per cent, as business travel helps face-to-face interactions, facilitates innovation, fosters partnerships and the developing of human capital.

L. Implementation date, monitoring and evaluation (PIR if necessary), enforcement principles.

236. The Government's preferred option is to introduce the Immigration and Social Security and Co-ordination (EU Withdrawal) Bill as under Option 1. The Government will monitor implementation of future policies to be introduced by secondary legislation.
237. Regarding the implementation of the future points based immigration system, the Home Office anticipates data on its use will be collected and published as part of regular statistics¹⁸³ to provide transparency and accountability for the Department's work, meeting the needs of Parliament, the media, academia, and the wider public, in line with the Code of Practice for Statistics. The Department will work to ensure the information needed for these purposes is collected. The Home Office is also developing plans to evaluate policies introduced under the future skills-based immigration system. This is planned to be an integrated analytic evaluation with multiple components of secondary data analysis and primary research that will report cumulatively over a period of 5 years post-implementation.

¹⁷⁹ Genc et al., (2011). 'The Impact of Immigration on International Trade: A Meta-Analysis.'

¹⁸⁰ Ottaviano et al., (2016). 'Immigration, Trade and Productivity in Services: Evidence from UK Firms'.

¹⁸¹ Dastidar et al., (2015). 'The Impact of Immigrants on the Foreign Trade of the UK'.

¹⁸² Oxford Economics, (2016) 'The value of international business travel'.

¹⁸³ <https://www.gov.uk/government/collections/migration-statistics>

238. In addition, the Migration Advisory Committee have been commissioned to provide an update on initial ideas for an annual report covering key aspects of the UK's immigration system, and when a first such annual report might be ready¹⁸⁴.
239. Regarding the provision on Social Security and Co-ordination, the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) are committed to monitoring the impacts of its policies and to establishing the extent to which they have met their objectives on Social Security Coordination. The DWP and HMRC will continue to produce and monitor regular statistical series around Social Security Coordination activities. These include a range of publications, for example State Pension recipients abroad¹⁸⁵; DWP Benefit expenditure abroad¹⁸⁶; Posting of Workers to the EU¹⁸⁷. Further monitoring, for example through new statistical releases, may be considered depending on any future policy change.

¹⁸⁴ <https://www.gov.uk/government/publications/migration-advisory-committee-welcomes-salary-threshold-commission/the-home-secretarys-commissioning-letter-to-the-chair-of-the-migration-advisory-committee-on-salary-thresholds>

¹⁸⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741594/state-pension-by-country-2017-18.ods

¹⁸⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742210/benefit-expenditure-by-country-and-region-2017-18.ods

¹⁸⁷ https://ec.europa.eu/social/main.jsp?pager.offset=10&advSearchKey=ssc_statsreport&mode=advancedSubmit&catId=22&policyArea=0&policyAreaSub=0&country=0&year=0