



Annual Report

December 2020



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Committee Foreword

This is the first Annual Report that the Migration Advisory Committee have produced under our expanded remit, which allows us to pursue our own work agenda in addition to responding to commissions from the Home Secretary. The Framework Document that covers our governance requires us to produce an annual report to inform Parliament and the public of the work we have done and our use of resources. The document also suggests that the report contain comment on, and recommendations relating to, all aspects of the immigration system.

As this is our first such endeavour, we have chosen to try and provide an overall context within which to view immigration policy. Too much of the discussion of immigration is based on anecdote and assertion, and we see one of our key roles as being to provide a more reliable evidence base on which informed policy discussion can proceed. This is not to say that the evidence is always unambiguous and complete, and often different conclusions can reasonably be reached from the same evidence. Our aim is to increase the light and reduce the heat of the debate.

This is a time of great change for the UK immigration system as we complete the transition period having left the European Union (EU). The ending of Free Movement will mean that all non-Irish EU citizens arriving in the UK after the end of 2020 will be subject to the same immigration rules as those from outside the EU. We think this is fundamentally the right approach. The MAC takes no position on the merits of EU membership, but we do believe that in cases where UK immigration policy is being made unilaterally (i.e. where it is not constrained by our economic or trading agreements with other countries), it should be the contribution that the migrant can make to British society that is the focus, not where they happened to be born. Such major changes are never easy and rarely smooth, but they provide a unique opportunity to set a well-considered, evidence-based course for immigration policy for the coming decades.

At the start of 2020, the MAC provided a report to inform the development of the Skilled Worker Route under the new Points-Based System. Most of the recommendations from that report were adopted by the Government, including the new salary thresholds that will apply, the expansion of the route to include many non-graduate jobs, and the easing of administrative burdens on employers. We also recommended that an unsponsored points-based route be introduced to allow those without a job offer but with strong potential to be able to come to the UK. We see this as a useful addition to the Global Talent visa that exists for those who already have an exceptional reputation in their field. We understand that the Government are continuing to seek input on this proposal from stakeholders.

In the same report, we highlighted the high salary threshold that was associated with settlement and recommended that the planned increases in this threshold be suspended. The Government accepted this but has since gone much further and has effectively abolished any threshold for settlement above the entry threshold. We present evidence in this report on salary progression that suggests that this change could have substantial effects on the number of workers eligible for settlement.

The MAC also produced a review of the Shortage Occupation List (SOL) in September 2020, which the Government have decided to delay consideration of until sometime next year. Even with increased domestic unemployment, many of the roles on the SOL cannot be filled quickly as training takes time and limiting the

supply of these workers may hinder future economic recovery. It should be noted that in January 2020 we recommended that such a review should only be conducted once the new immigration system had been in place for a sufficient time to see how it was working. It is unfortunate that this recommendation was not adopted as stakeholders spent considerable time in very difficult circumstances providing evidence to us. They may justifiably feel that this effort was not worth it, and we worry that as a result it may be more difficult to get the evidence we need in the future.

The new immigration system will launch against the background of the ongoing COVID-19 pandemic and the severe economic disruption that it continues to cause. Our central expectation is that there will be limited use of the new Skilled Worker Route, at least in the first half of 2021. Job vacancies have fallen substantially, and most forecasts predict significantly higher unemployment in the coming months. Firms that are still recruiting are therefore likely to receive more applications from the domestic workforce than has been the case in recent years when the labour market has been tight. The immigration system is deliberately designed to make it considerably more costly to recruit a worker from overseas than to recruit from the domestic workforce, so we would expect fewer visas to be issued. At the same time, it seems less likely that foreign workers will want to move countries until the pandemic is under clear control.

As the new immigration system is implemented, it will be crucially important to monitor its impacts and understand whether and where adjustments should be made. In theory, the fact that EU citizens will now require visas to live and work in the UK should make evaluation easier, as there will be a new source of visa data on this group. However, our work continues to be hampered by the lack of data. We have repeatedly highlighted the difficulties in linking datasets across government and the high barriers to access such data. We welcome the signal from government that this is an area that needs substantial improvement, and we are keen to be actively involved in such improvement.

The MAC have strengthened our links with the Devolved Administrations and stakeholders across the nations of the UK during the course of this year. Whilst immigration is a reserved matter, we recognise that it is important for MAC recommendations to, where possible, reflect the diversity and needs of every part of the UK. We will continue to build on these links in 2021 and are currently recruiting for Secretariat members to be based within the devolved nations.

This report also considers the implications for the MAC of the Windrush Lessons Learned Review. We recognise the importance of going beyond the average effect of a policy recommendation and paying more attention to groups that may experience particularly adverse consequences. The Review also highlights the importance of trying to think through the unintended consequences of policy recommendations.

We look forward in the coming year to continue in advising the Government on the development of an immigration policy that delivers for the people of the United Kingdom.

Prof. Brian Bell (Chair); Dr Jennifer C. Smith; Madeleine Sumption MBE; Prof. Jo Swaffield; Prof. Jackline Wahba OBE

December 2020

1: Migration in the UK

Introduction

The UK immigration system is facing the most substantial changes in a generation as we complete our exit from the EU. At the same time, the economic and social effects of the COVID-19 pandemic present enormous challenges. In this chapter we provide an overview of the current landscape and the implications for migration. We also examine the migration routes currently in place and coming in as part of the future immigration system from January 2021 and provide views on their functioning.

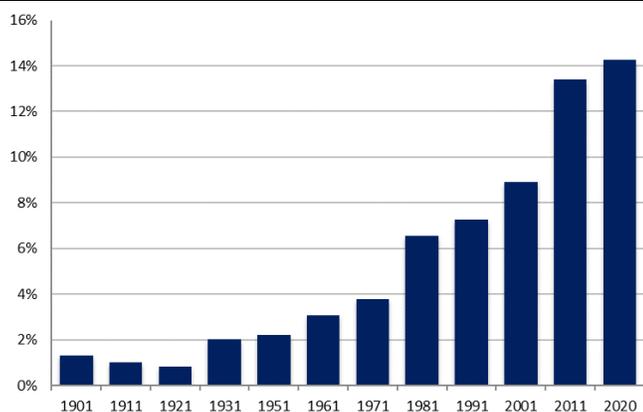
In the next section we will examine the UK migration context and then turn to examine each of the routes for entry in greater detail.

The UK migration context

Whilst immigration is currently a key policy issue featuring in public debate, it has long been an important feature shaping UK society. In this section we will cover overall trends in the UK and compare our experience to that of other countries.

The share of foreign-born in the UK population remained at very low levels during the first half of the twentieth century. Sustained growth in the migrant population began after the Second World War – driven primarily by Commonwealth citizens moving to the UK – and then rose again as we joined the EU which then expanded after the EU8 accession countries joined in 2004 (Figure 1.1 below). By 2020, 14.3% of the UK population was born abroad.

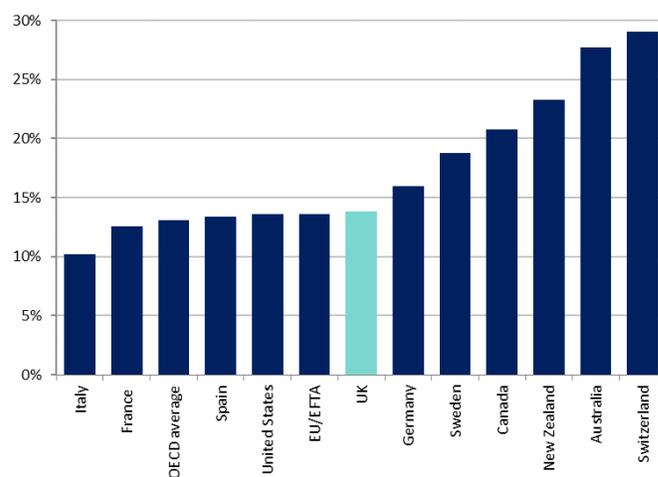
Figure 1.1: Foreign-born share of population in the UK over time



Source: ONS, Census

Notes: Data from Census except 2020 data which are from APS Quarter 2 2019 - Quarter 1 2020). All years show the foreign-born population in England and Wales, except for 1971 and 2020 which are for the UK. No data in 1941 due to WW2. 1901 – 1951 does not include those born in Ireland as foreign-born. 1961 onwards includes those born in Ireland as foreign-born.

Figure 1.2: Foreign-born share of population in selected countries, 2018



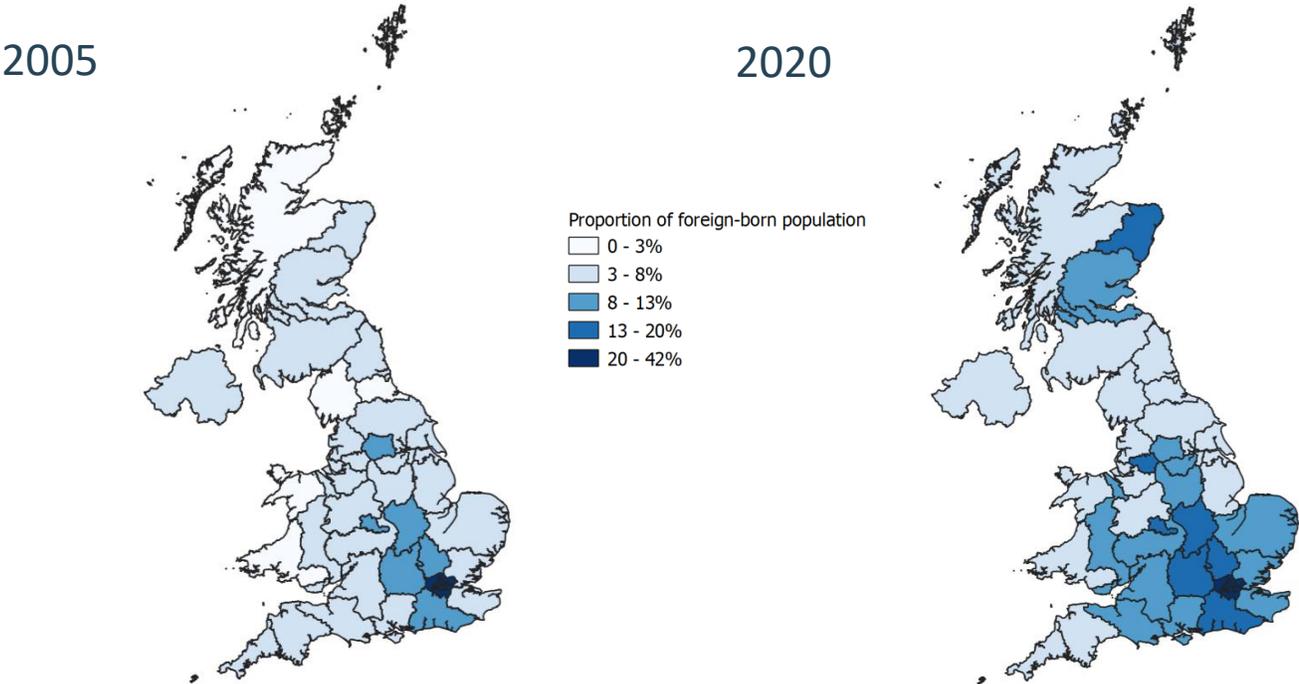
Source: OECD

Notes: Not Directly comparable with population data from other sources such as the APS.

The UK is in no sense unique in seeing substantial rises in the share of the population that is foreign-born. Figure 1.2 above shows that the UK is in the middle of the pack relative to other developed economies in terms of the migrant share of the population. The rapid growth in the share of the migrant population over the last two decades is also a common experience across other developed countries. Between 2000 and 2018 the percentage point change for the UK was 5.9ppt compared to Spain (8.6), Australia (4.6), France (2.3).

Figure 1.3 below shows the change in the foreign-born population across the UK between 2005 and 2020. In both time periods, migrants are concentrated around the South East of England, with the highest migrant share in London for both periods. Between the two time periods, the area surrounding London has also seen a significant increase in the proportion of the foreign-born population. A significant increase can also be seen in Eastern Scotland as well as in some areas of the Midlands. Every region in the UK has seen an increase in the proportion of their foreign-born population between the two time periods, though there remain many areas of the UK that have a relatively small migrant share in the population. North Eastern Scotland saw both the largest relative (274%) and absolute increase (11.4ppts) in the proportion of foreign-born population. Outer London saw the second largest absolute increase (9.0ppts), whilst Inner London saw just a 2.3ppt increase. Cornwall and the Isles of Scilly saw the smallest absolute increase in the foreign-born population (2.0ppts).

Figure 1.3: Change in foreign-born population in the UK



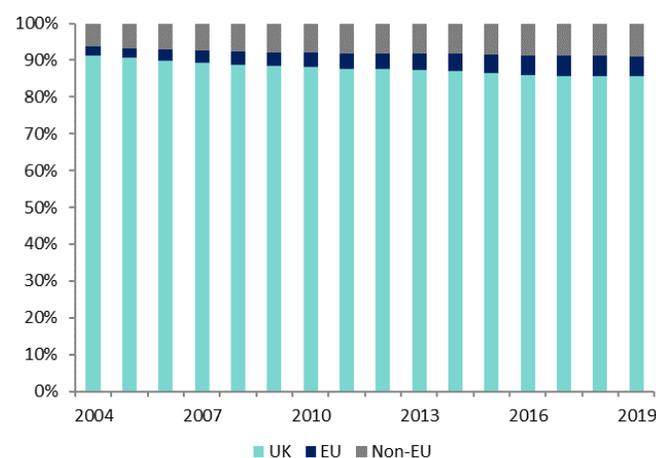
Source: ONS, APS Quarter 2 2004 – Quarter 1 2005 & APS Quarter 2 2019 - Quarter 1 2020
Notes: The definitions of the NUTS2 regions change between 2005 and 2020. See the published spreadsheet for full details of the mapping.

Table 1.4: Employment and population share and change

	Employment share 2004 (%)	Employment share 2019 (%)	Population share 2004 (%)	Population share 2019 (%)
UK	90.2	82.4	91.1	85.6
EU	2.9	7.4	2.5	5.5
Non-EU	6.9	10.2	6.4	8.9

Source: ONS, APS
Notes: Data are for the Quarter 4 of each year based on country of birth.

Figure 1.5: Population share 2004-2019



Source: ONS, APS
Notes: MAC calculations using APS

Currently the UK immigration system distinguishes between those who are resident in the European Economic Area (EEA - EU plus Norway, Iceland and Lichtenstein) who are not subject to immigration control, and those from outside the EEA who are. From 1 January 2021 this distinction will cease as we end the transition period having already left the EU. Both the population and employment share of those born outside the UK has increased over the last two decades (Table 1.4 and Figure 1.5 above). Interestingly, despite it being easier for EU citizens to migrate to the UK due to freedom of movement compared to non-EU citizens who do not enjoy this freedom, there has been substantial and broadly similar growth in the stock of both EU and non-EU migrants. The EU born have increased their share of the population by 3 pts since 2004, whilst the equivalent figure for the non-EU born is 2.5 pts. This highlights how the immigration system already allows substantial movement into the UK, even for those subject to immigration control. We will shortly turn to see which visas they enter on.

Table 1.6 below compares the demographics of the foreign-born population with the UK born. Migrants are far more likely to be of working-age, and consequently are more likely to be in employment compared to the UK-born population. There is a slightly greater proportion of foreign-born women than men. Migrants add to the ethnic diversity of the population, as only 8% of the UK-born are ethnic minorities (including White minorities), compared to 76% for those born outside the EU. Migrants are more likely to have a degree and more years of schooling but work in jobs with a broadly similar skill mix to the UK-born, though EU migrants are over-represented in the RQF1-2 jobs that have lower training and qualification requirements. Over half of non-EU migrants speak English at home, whereas only 37% of EU migrants speak English at home. [Migration Observatory](#) analysis found that those from the EU-14 had very high English language at home rates, whilst those from the more recent EU accession countries had very low rates, which helps explain the overall distribution. Speaking English at home may not be an indication of proficiency, but it may be one indicator of the level of cultural integration.

Table 1.6 Demographics by country of birth

		UK-born	EEA-born	Non-EEA-born
Age	Under 16	21%	11%	7%
	16-25	12%	15%	10%
	26-40	18%	44%	32%
	41-65	31%	25%	40%
	Over 65	18%	5%	11%
Sex	Male	50%	48%	48%
	Female	50%	52%	52%
Employment status (aged 16+)	Employed	47%	69%	58%
	Unemployed	2%	3%	3%
	Inactive	30%	18%	32%
	Under 16	21%	11%	7%
Ethnic Group	White	92%	89%	24%
	Asian	4%	2%	45%
	Black/African/Caribbean	2%	2%	18%
	Other	2%	7%	14%
Education (for age 16-24)	Proportion with degree	32%	38%	45%
	Years of Schooling	10.9	13.1	12.8
Skill level	RQF1-2	38%	49%	40%
	RQF3-5	31%	27%	26%
	RQF6+	30%	24%	34%
Language	Speaks English at home	99%	37%	53%

Source: ONS, APS 2017-19 & LFS Quarter 3 2018

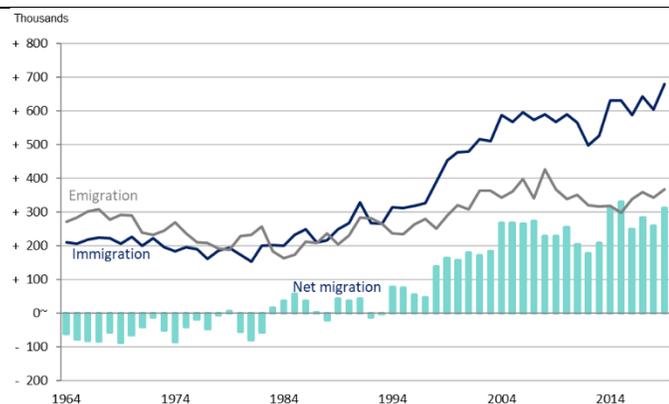
Notes: Each column within the demographic category sums to a 100% (with the exception of education & language).

Language variable uses data from LFS Quarter 3 2018. All other variables use APS 2017-19.

Information on RQF levels can be found [here](#). Years of Schooling represents an average.

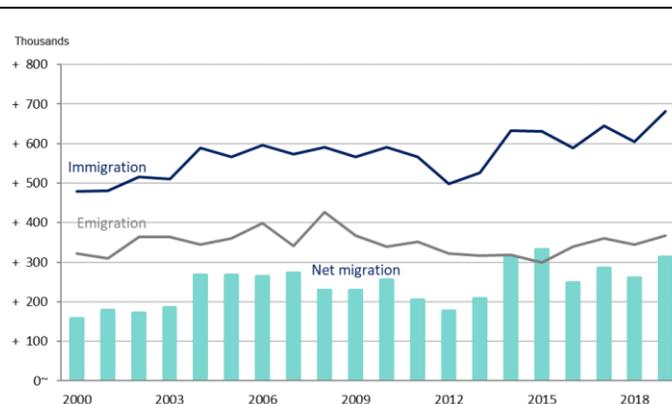
We have seen that the stock of migrants in the UK has risen over time – from both the EU and non-EU. It is common to examine the flows of migrants to provide more understanding of how the stock is changing. Figure 1.7 below shows the number of people coming into the UK each year (immigration), the number leaving (emigration) and the resulting net levels of migration. Until the start of the millennium there was no substantial change in these flows, though it is interesting to note that the UK experienced more outflows than inflows during the 1960s and 1970s. Figure 1.8 focuses on the period since 2000, and shows that immigration (inflow) levels have been consistently higher than emigration (outflow) levels and so there has been a net increase in migration. For part of this period, the government had an announced target of reducing net migration below 100,000. As is clear from the figure, this target was never close to being achieved. The MAC believes that such a target had little merit and we are pleased that the current government no longer suggests that success should be measured against such a target.

Figure 1.7: UK immigration (inflow), emigration (outflow) and net migration to and from the UK



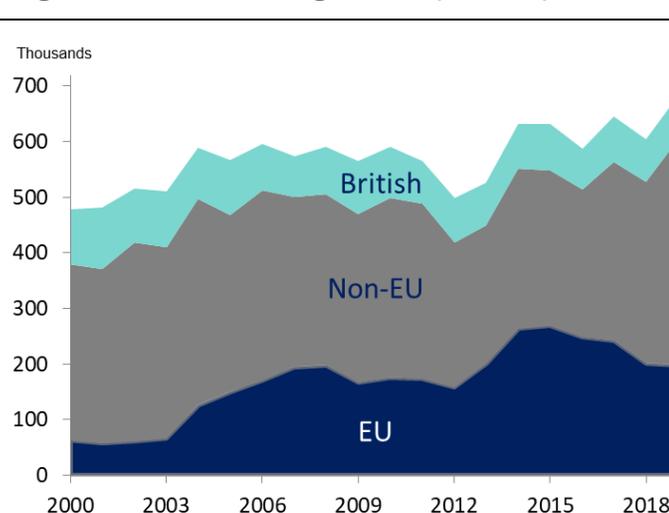
Source: ONS, LTIM
 Notes: Based on citizenship
 Long-Term International Migration (LTIM) estimates are designated as Experimental Statistics. These results should be treated with caution.

Figure 1.8: Recent UK immigration (inflow), emigration (outflow) and net migration



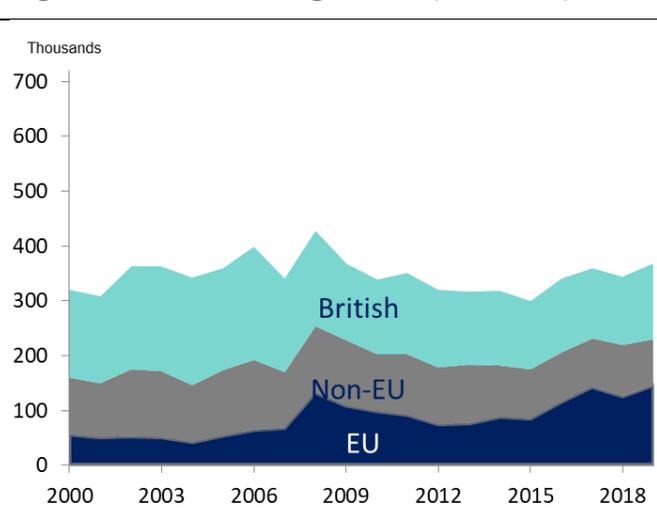
Source: ONS, LTIM
 Notes: Based on citizenship
 Long-Term International Migration (LTIM) estimates are designated as Experimental Statistics. These results should be treated with caution.

Figure 1.9: UK immigration (inflow)



Source: ONS, LTIM
 Long-Term International Migration (LTIM) estimates are designated as Experimental Statistics. These results should be treated with caution.

Figure 1.10: UK emigration (outflow)



Source: ONS, LTIM
 Long-Term International Migration (LTIM) estimates are designated as Experimental Statistics. These results should be treated with caution.

The data on migration flows can also be broken down by country of birth. Figure 1.9 above shows that non-EU migrants have made up the largest share of immigrants to the UK - 55% of total immigration between 2000-2019, with the share rising noticeably in the most recent years. EU immigration accounted for 30% over the whole period and British immigration 15%. Figure 1.10 shows the outflow of migrants, again split by EU, non-EU and British. Over the same period, the largest outflow was UK emigrants (45%) with non-EU emigration

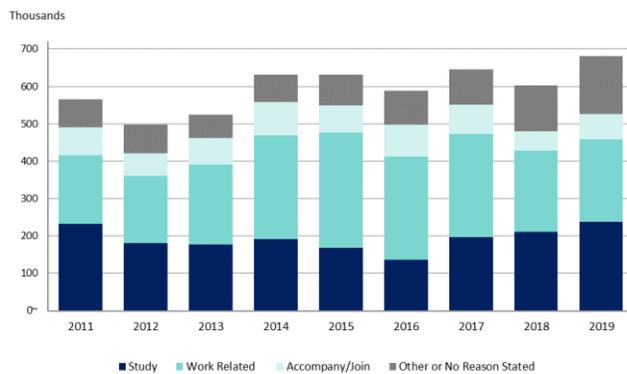
accounting for 30% of outflows and EU emigration 25%. It will be interesting to monitor how the move to the new immigration system impacts these relative shares.

Why do people come to the UK?

Overall trends

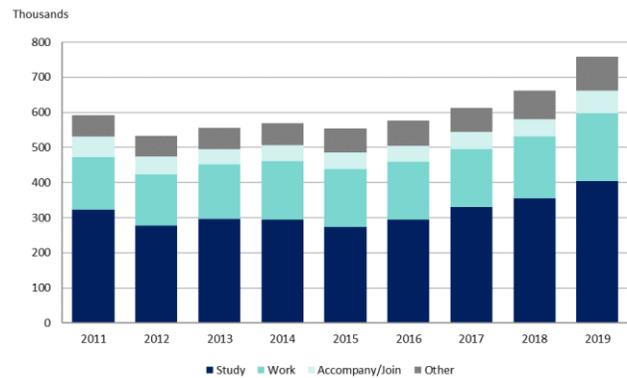
The two principal reasons that migrants enter the UK is for work or study (Figure 1.11 below). Over the last decade, these two reasons account for 77% of the total inflow. Perhaps as a result of this, the MAC has primarily been tasked with focusing on the work and study routes, rather than other routes such as family or asylum.

Figure 1.11: Immigration by main reason



Source: ONS, LTIM
 Notes: Census and preliminary administrative data adjustments have not been applied
 Long-Term International Migration (LTIM) estimates are designated as Experimental Statistics. These results should be treated with caution.

Figure 1.12: Visas issued



Source: Home Office, Immigration Statistics
 Notes: Main Applicant & Dependents. Data will not match LTIM data due to different definitions. Does not include visit visas. Includes student visitors.

For those migrants who are not EEA citizens, the Home Office collect visa information which provides another useful source of data on reasons for coming to the UK (Figure 1.12 above). These statistics are based on actual applications, so they provide an overview for all routes of entry into the UK for non-EEA citizens, but they are not directly comparable with the long-term migration data used in Figure 1.11 above. This is primarily because some of the people issued visas come to the UK for less than a year and so would not be counted as long-term migrants, and because some people who receive a visa may decide not to travel to the UK. But again, the importance of study and work as the reason for migration is clear. Study visas make up the largest proportion of long-term visas with a 59% share since 2011. Work visas are the second largest group with a 28% share.

Home Office visa statistics do not capture irregular or illegal immigrants in the UK. Similarly, most ONS data are based on survey data which would be expected to significantly undercount the illegal migrant population. There are currently no good estimates of the size of the illegal migrant population in the UK. The [Public Accounts Committee](#) have recently highlighted this issue and called on the Home Office to update estimates of the illegal migrant population. Whilst there would be clear benefit in having a reliable and updated figure, we are sceptical about how robust any such estimate would be.

Migration for work

Workers from outside the EEA primarily enter the UK under the somewhat confusingly named Tier 2 of the current visa system, whilst EEA nationals are currently free to work in the UK without a visa. From January 2021, the primary entry route for all migrant workers will be under the new, more sensibly named, Skilled Worker Route of the Points-Based System (PBS).

Not all non-EEA nationals can come to work in the UK. At present, only employers recruiting for roles at degree level (RQF6+) can sponsor a worker from outside the EEA. In contrast, because there are no restrictions on EEA nationals, they can work in any job. Under the changes for 2021, the range of jobs that can be filled by migrants on a work visa is being changed to include those that have a medium training requirement (RQF3-5). It is important to note that these restrictions do not apply to other routes, so a dependant or family migrant may enter the UK and work in an RQF1-2 job. The new system for work migration is therefore becoming more liberal for non-EEA nationals whilst at the same time becoming more restrictive for EEA nationals as they will no longer be able to apply to work in short training requirement jobs (RQF 1-2). This expansion of the system follows the recommendations of the MAC in the [EEA Migration Report \(2018\)](#).

In addition, the Skilled Worker Route has requirements on the salary that must be paid. Employers must pay a migrant an annual salary which is at least £25,600 (the general threshold) or the 25th percentile of the occupation-specific annual salary (the occupation-specific threshold) if that is above £25,600. These thresholds were based on recommendations from the MAC, and we have strongly encouraged the Government to consistently update them each year in line with published data on earnings. Jobs that are paid according to nationally-agreed pay scales (mainly in health and education in the public sectors) are exempt from these thresholds as the migrant must be paid on these scales, but they cannot under any condition be paid less than £20,480. There are also lower salary thresholds for new entrants, who are those aged under 26 or who were previously in the UK on a study visa. This provides up to a 30% discount on the salary threshold to reflect that pay is lower for less experienced workers.

We recently provided our recommendations to Government on the [Shortage Occupation List \(SOL\)](#). Occupations placed on the list are entitled to a 20% discount on the salary threshold (subject to the absolute minimum of £20,480), and this is a key component of the new Skilled Worker Route. The review involved significant stakeholder engagement and the use of data to calculate shortage metrics. Given the uncertainties introduced by the new immigration system, we advised the Government in January that we did not think it was the right time to carry out this review. However, the Government asked us in March to conduct such a review on which we reported in September. The Government has now, in agreement with our initial recommendation, chosen not to include our recommendations in the latest immigration rules stating in a [letter from the Home Secretary](#) that they will “*consider whether to implement some or all of them in a forthcoming set of changes to the Immigration Rules in 2021*”. The Government have explained that they would “*like to assess how the UK labour market develops and how quickly recovery is evidenced post-Covid-19 and in response to the introduction of the new Points-Based Immigration System*” It is unfortunate that the Government did not consider our concerns about reviewing the SOL in 2020 as stakeholders put in significant effort in a very challenging time to respond to our Call for Evidence. Stakeholders may justifiably feel that this effort was not worth it, and we worry that as a result it may be more difficult to get the evidence we need in

the future. Even with increased domestic unemployment, many of the roles on the SOL cannot be filled quickly as training takes time and limiting the supply of these workers may hinder future economic recovery.

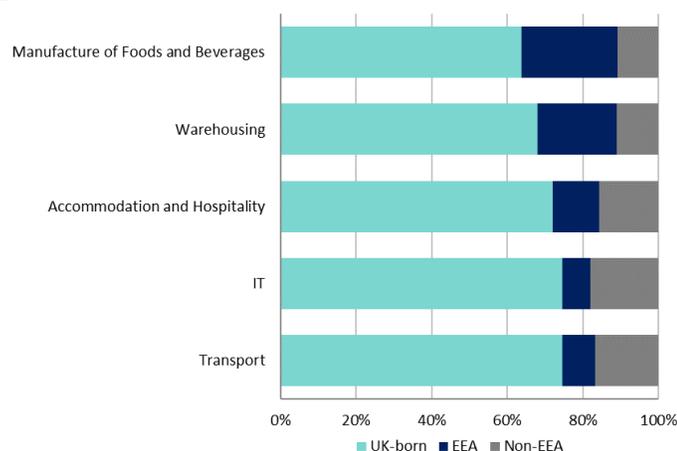
Hiring a worker from abroad comes with extra substantial non-salary costs to both the employer and employee. There are visa fees (up to £1,408 each for the main applicant and dependant) and the Immigration Health Surcharge (up to £624 per year each for main applicant and dependant). In addition, employers must pay to register as sponsors with the Home Office (up to £1,476), are charged up to £199 for a Certificate of Sponsorship which is needed for each migrant and must pay an Immigration Skills Charge (up to £1,000 per year per employee). Additionally, advertising and recruitment costs are also likely to be substantially higher when recruiting from abroad. Accounting for these non-salary costs means that hiring from abroad may well be prohibitively expensive for some employers. Since these costs are fixed, they will represent a larger fraction of total labour costs for lower-paying jobs. There are additional costs for employers in understanding and navigating the immigration rules in the new system, which may be a barrier to smaller employers hiring migrants, who are less likely to have used the system before. We would therefore expect that many of the employers of RQF 3-5 jobs will in the end conclude that it is not feasible to use the new Skilled Worker Route to recruit workers. Such employers would then need to focus more heavily on enhancing strategies to recruit and train from the domestic workforce.

The number of people that migrated to the UK for work started to steadily increase from 2012 up to mid-2016 with an increase of over 120,000 migrants per year. However, this was the peak and since then we have seen a steady decline to around 100,000 migrants coming to the UK for work. It is also worth noting that for the first time in 2019, the number of non-EU migrants coming to the UK for work exceeded the number of EU migrants. Again, this is in spite of there being costs and restrictions on hiring non-EEA migrants that do not currently apply to EEA migrants. This emphasizes that the immigration system and its costs and complexities are only one factor, albeit an important one, in determining the choices employers make when filling vacancies. There are also multiple factors which determine whether the UK is an attractive destination for migrants to work, such as economic conditions and job opportunities.

Where do migrants work?

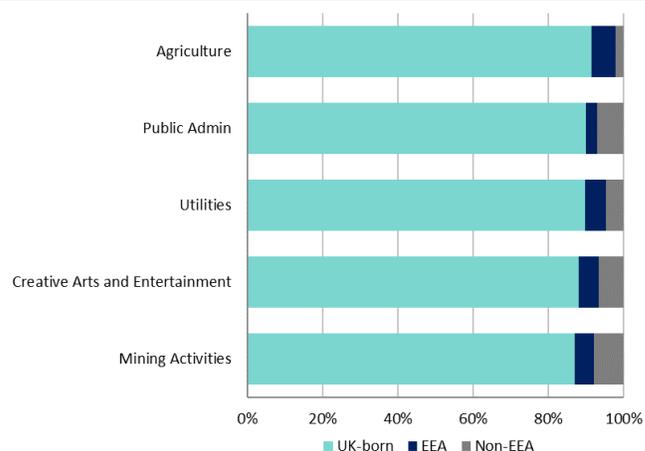
The proportion of EEA and non-EEA migrants differs significantly across sectors. This may be driven by different characteristics across the groups and because only non-EEA migrants are currently subject to immigration rules, which restricts the type of jobs they can undertake. Figure 1.13 below shows that the manufacturing of foods and beverages (36%), warehousing (32%) and the accommodation and hospitality (28%) industries have the highest shares of migrant workers. Within these industries, manufacturing of foods and beverages (25%) and warehousing (21%) have the highest shares of EEA workers. The end of freedom of movement will make it harder for these industries to employ EEA migrants in the future. This will potentially slow the growth in employment in these industries unless there is a rise in the supply of labour from UK or non-EEA-born workers; it is also possible that productivity improvements and more extensive automation in these industries will reduce the total demand for labour. The IT (18%), transport (17%) and accommodation and Hospitality (16%) sectors have the highest shares of non-EEA migrants. In comparison, Figure 1.14 below shows industries with a low share of migrants, with only 8% of the workforce in agriculture being migrants (this does not account for seasonal labour who may reside in temporary accommodation).

Figure 1.13: Top 5 migrant employers



Source: ONS, APS 2017-19

Figure 1.14: Bottom 5 migrant employers



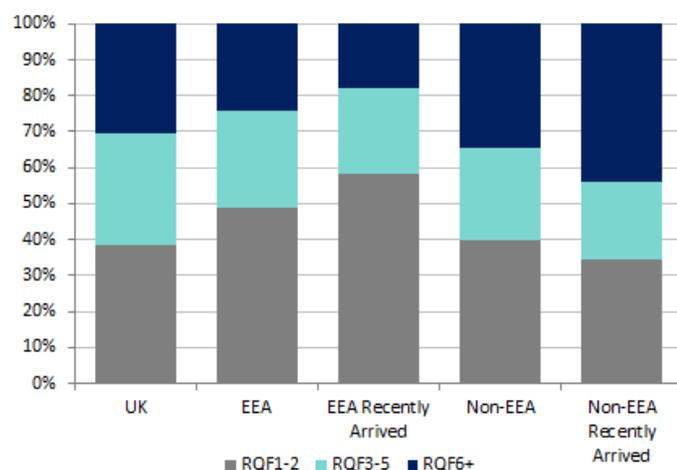
Source: ONS, APS 2017-19

Notes: APS does not include those living in communal establishments and it is unlikely to capture seasonal workers: estimates for agriculture should therefore be treated with caution

Though not shown in the figure, Healthcare has the 8th highest proportion of migrants (19%) across sectors, with almost three-quarters coming from outside the EEA. The health and social care sector has been of high public concern during the pandemic. As we re-iterated in our recent [SOL Review](#), the MAC has argued for some years now that funding social care to a level that enables higher wages to be paid, and consequently makes jobs more attractive to the domestic workforce, is the right way to address the workforce issues in the sector, rather than relying on migrant workers to fill the gaps. We continue to hold this view. However, the risks of this funding increase not happening in a timely manner are stark. If that does not occur, or occurs with substantial delay, we would expect the end of freedom of movement to increase the pressure on the social care sector, something that would be particularly difficult to understand at a time when so many care occupations are central to the COVID-19 pandemic frontline response. We welcome the commitment made by the Government in the [House of Lords](#) to commission and publish an independent assessment of the impact of the new immigration system on the social care sector, and the MAC would respond positively to any request to be involved in this assessment.

Non-EEA migrant workers are more likely to be employed in graduate level jobs when compared to UK and EEA-born workers (Figure 1.15 below). This will at least in part be because the current immigration system only allows non-EEA migrants to enter the UK on a work visa if they are filling a graduate level job. By contrast, 58% of EEA migrants who have recently arrived in the UK worked in RQF1-2 level jobs, though this does not necessarily reflect their qualifications or experience. The data also suggest that EEA migrants move into more highly-skilled jobs as their time in the UK increases. In our [EEA Migration Report \(2018\)](#) we recommended a policy on work migration that provided greater access for those filling jobs with a higher training requirement. New EEA migrants who arrive in the UK on a work visa, after the end of this year will no longer be able to apply for RQF1-2 jobs. This could result in a tighter labour market for such jobs in the UK. However, higher unemployment in the aftermath of the COVID-19 pandemic would be expected to offset this tightening – the difficulty is in forecasting where the balance ultimately lands.

Figure 1.15: Proportion of workers by skill level



Source: ONS, APS 2017-19

Note: Recently arrived includes migrants that arrived between 2017 and 2019 inclusive. The EEA and non-EEA categories covers all migrants, including recently arrived.

Table 1.16: Job skill mix by sector and the proportion filled by migrants in RQF1-2 jobs

	Proportion of migrants	Proportion of RQF1-2 jobs in sector
Accommodation and Hospitality	25%	52%
Agriculture	16%	31%
Manufacture of Foods and Beverages	46%	58%
Residential and Social Care	20%	50%
Transport	29%	75%
Warehousing	41%	65%
Wholesale and Retail Trade	18%	58%

Source: ONS, APS 2017-19

Notes: Table presents select sectors with a high migrant density or proportion of jobs in the RQF1-2 category.

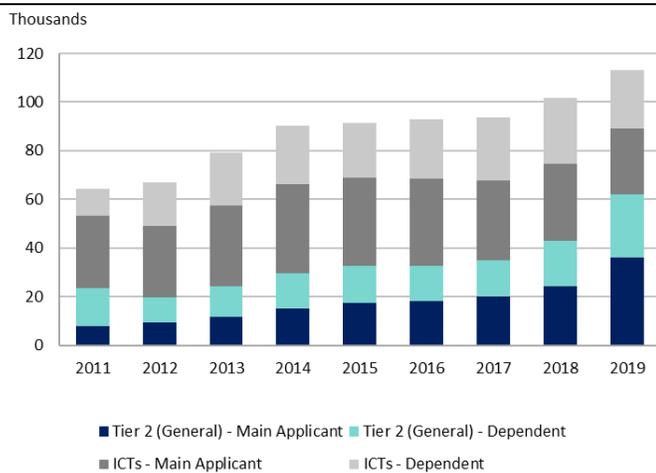
In our [Points-Based System Report 2020](#), we estimated that 73% of the EEA migrants who arrived after 2004 would not have been eligible for a work visa if the salary threshold at the time of analysis (£30,000) associated with such a visa had been in force, but the medium training requirement jobs (RQF 3-5) had been eligible. As already highlighted, there will also be increased cost and bureaucracy for those from the EEA who will have to apply for visas in the future and be sponsored by an employer under the Skilled Worker Route. This may be a particular issue for small employers who have not historically engaged with the immigration system. This again highlights that the new immigration system will provide a particular challenge both to employers offering RQF 1-2 jobs that will not be eligible and lower-paying RQF 3-5 jobs that will be eligible but may not pay the required salary thresholds.

It may seem surprising that 66% of those born outside the EEA work in jobs for which the current work route does not allow entry i.e. below RQF6+ (Figure 1.15 above). This highlights an important, and often underappreciated, aspect of the UK immigration system, which is that most non-EEA migrants who settle in the UK originally came on study visas (38%), and family visas (32%). There are many non-work routes by which a non-EEA migrant can enter the UK and once they have arrived, they have almost complete freedom to work. Migrants who enter through the family route, people who have been granted asylum and dependants of many work visa holders can work, although dependants must return along with the main applicant at the end of the visa period. Whilst work migrants are currently restricted to work in graduate level jobs, dependants and family and asylum migrants are not. This will remain the case under the new system, so it will not be true that no migrant can work in an RQF 1-2 job – it will just not be possible to hire them under the Skilled Worker Route. Unfortunately, there are currently no reliable data on what dependants of visa holders do once they enter the UK.

Table 1.16 above shows some of the sectors in which there may be particular concern about the new immigration system, either because of a high proportion of migrants working in RQF1-2 jobs, a high overall proportion of all jobs at that skill level, or both. A large share of the RQF1-2 jobs are held by migrants in the manufacturing of foods and beverages (46%) and warehousing (41%) industries. Furthermore, most jobs within both industries are categorized at RQF1-2 - 58% and 65% respectively. Transport has a higher proportion of jobs in the RQF1-2 skills category (75%) but a lower share of these RQF1-2 jobs are held by migrants (29%). Residential and social care has 50% of jobs in the RQF1-2 category and 20% of these jobs are held by migrants.

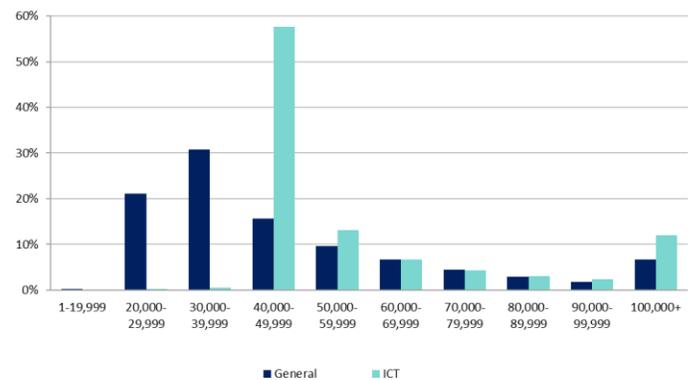
Non-EEA work migrants

Figure 1.17: Work visas by type



Source: Home Office, Immigration Statistics
Notes: Figures do not include Sports Persons or Ministers.

Figure 1.18: Salary distribution of work visa applicants



Source: Home Office, Management Information
Notes: Issued Certificate of Sponsorship Data, Tier 2 (General) and Tier 2 (ICT) only.
Data from 01/04/17-31/01/20.

Figure 1.17 above shows that there has been a steady increase in non-EEA work immigration since 2011, with a 76% increase in visa issuance over the period. Intra-Company Transfers (ICT) have made up 62% of such visas over the period. It is important to note that since 2011, 43% (351,900) of all visas issued under the current Tier 2 work route are issued to dependants of the main applicant.

The ICT route allows employers in the UK to move existing senior employees and specialists, who have been employed by the company for at least 12 months easily from overseas offices to roles in the UK. The ICT route has a higher salary threshold compared to the main Tier 2 route and some other requirements. It also contains a sub-category for graduate trainees. The Government has recently [commissioned](#) us to look into the operation and effectiveness of the ICT route. We are asked to report on this by October 2021.

From 2011, and in every year since, workers from Asia have accounted for the largest share of Tier 2 visas. A large share of ICT visas issued are to workers from India, which accounts for 70% of all ICTs. Asian nationals also account for the largest proportion of the Tier 2 (General) visas, followed by Africa with approximately a

15% share. The relative shares of each geographical region have remained relatively stable over time and all regions, except for Oceania and North America, saw growth between 2011 and 2019.

The occupations with the highest number of recruits under the Tier 2 work visa in 2019 were Nurses, IT Business Analysts, Programmers and Medical Practitioners which each had over a 10% share of the total visas (out of a total of 115,700). The Health Care, Technology and Financial sector have the highest number of recruits through the work visa route.

Figure 1.18 above shows the distribution of salaries reported at entry for those coming into the UK on Tier 2 work visas since the latest salary threshold change in April 2017. For the General visa, 55% earn between £20,000-£39,00, whilst for the ICT route the average salary is higher and 58% earn between £40,000-£49,999. For both categories there is a significant group earning above £100,000.

The current visa system allows employers to recruit new entrants to the labour market with a lower salary threshold than for more experienced workers. The justification for such a discount is that new entrants are less productive in the job as they have no prior experience and training costs for such workers are higher for firms. The MAC has estimated that such workers tend to earn around 30% less in the first few years of their job, and we recommended that a 30% discount be applied to the salary threshold for such workers under the new Skilled Worker Route. This recommendation was accepted by the Government, though such new entrants will still be covered by the absolute minimum threshold of £20,480.

In order to be defined as a new entrant coming in under the current system, applicants must meet one of the following three criteria: be under the age of 26 when applying; switch from a student visa; or be recruited through a university milkround. We estimate that 20% of Tier 2 (General) visas issued in 2019 were eligible for the new entrant criteria. The criteria for new entrants are being expanded slightly in the future immigration system, based on our previous recommendations. We would also expect a change in the proportion of skilled worker visas which are issued to new entrants in future given the expansion to RQF3-5 jobs.

Since 2011 69% of all migrants that have entered on a Tier 2 (General) visa have been male, while 31% have been female. However, this can vary greatly from occupation to occupation; for example, 76% of Nurses who enter through the route are female, whilst 93% of chefs are male.

The labour market impact of the COVID-19 pandemic

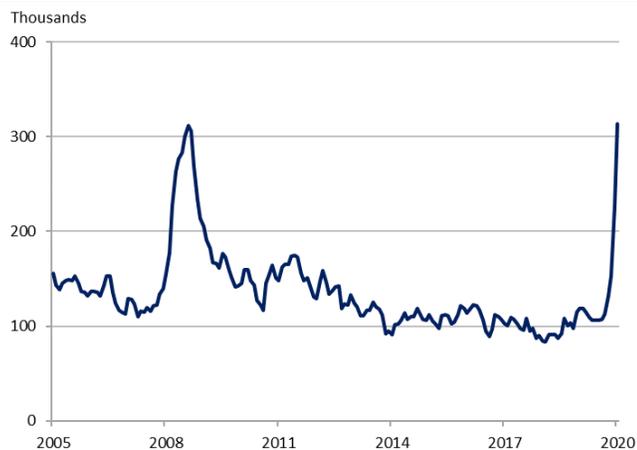
The new immigration system is launching at a time of enormous challenges for the UK economy and labour market as a result of the COVID-19 pandemic. We are already seeing very significantly reduced levels of work migration from abroad and we would expect this to continue well into 2021, due to both reduced job opportunities and a reduced willingness of foreign workers to relocate.

The UK economy has suffered one of the largest declines in output as a result of the pandemic. Recent estimates contained in the IMF World Economic Outlook suggest that GDP will decline by 9.8% in the UK over the course of 2020. In comparison, the IMF forecasts that output will have fallen by 5.8% for the advanced economies as a whole, and by 4.3% in the United States. Amongst the advanced economies, only Italy (10.6%) and Spain (12.8%) are forecast to decline more. After a period of relative stability this is a significant shock to the UK economy, with the scale of the impact on GDP far larger than the financial crisis.

In contrast to the precipitous decline in output that we have witnessed, the labour market response has thus far been substantially more muted. Prior to the pandemic, the UK employment rate had been steadily increasing to the highest on record, resulting in a tight labour market. The pandemic has resulted in a large contraction in GDP, which has had a subsequent negative impact on labour demand. Whilst typically unemployment would rise in a recession, the furlough scheme has very considerably cushioned the impact to date. In February of this year, the UK unemployment rate was 4.0% and the most recently published data shows that this had risen to 4.8% in September. Compare this with the United States, which had a significantly smaller decline in GDP but has no equivalent of the furlough scheme. In the US, the unemployment rate rose from 3.5% in February to a peak of 14.7% in April and was still 6.9% in October, almost double the pre-pandemic rate. It is therefore unsurprising that most forecasters expect unemployment to rise significantly in the UK over the coming quarters as the furlough scheme closes. The Bank of England’s [November Monetary Policy Report](#) forecasts that unemployment will be 6.7% in the final quarter of 2021 – a very substantial rise from its current level.

We can already see some of this labour market shakeout in redundancy and vacancy data. Redundancies in the UK have dramatically increased over the last few months, rising by a record 181,000 in the quarter to September, reaching a high of 314,000 (Figure 1.19 below). This level now surpasses even that seen during the 2008 financial crisis. This impact has been partly cushioned as a result of the furlough scheme. Yet even though the scheme is now continuing for a few more months, we are already seeing a rise in redundancies and this is likely to get worse into 2021. Vacancies across the UK also saw a steep decline as a result of the pandemic. Although from June the number of vacancies has started to recover, they are still 35% lower than this time a year ago (Figure 1.20 below).

Figure 1.19: Redundancies



Source: ONS, LFS

Notes: UK redundancies, people aged 16 years and over (not seasonally adjusted).

Figure 1.20 Vacancies



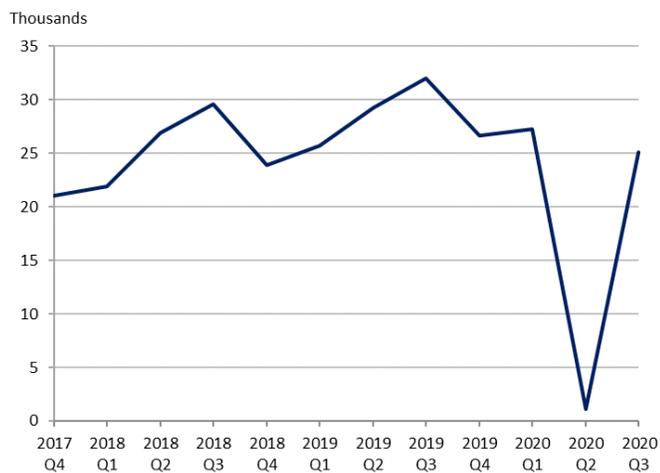
Source: ONS, Vacancy Survey

Similarly, the impact on work migration is already showing up in the data. In the second quarter of 2020, only 1,157 Tier 2 work visas were issued. This was a 96% reduction compared to the first quarter (Figure 1.21 below). In the third quarter there was a strong bounce back, which is likely at least in part to be a result of pent-up demand as many visa application centres were closed in the second quarter. It would not be

surprising if visa issuance remained subdued in coming quarters as a result of both reduced hiring by firms and restrictions or unwillingness of migrants to travel to the UK.

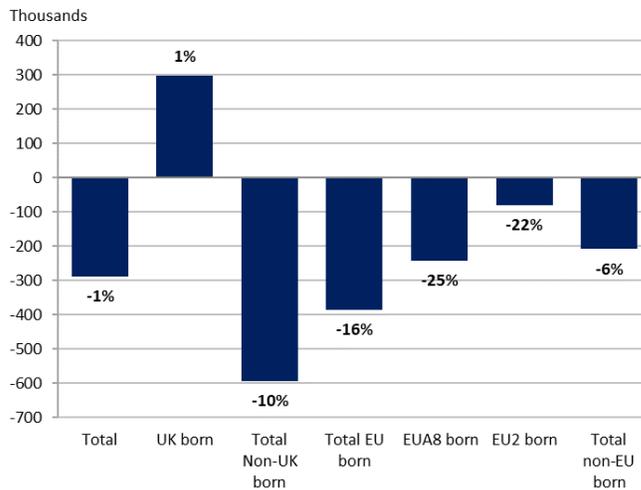
Figures from the Office for National Statistics (ONS) suggest that there has been a very substantial shift in the share of employment accounted for by migrants during the pandemic (Figure 1.22 below). Whilst total employment in the UK has fallen by around 300,000 over the last twelve months, the estimated decline in employment of those born overseas was 600,000. This of course implies that there was an *increase* in the employment of UK-born of 300,000 over the same period. Perhaps even more remarkably, the data suggest that there has been a 25% reduction in the number of workers from the Eastern European countries that joined the EU in 2004, and a 22% reduction in those born in Romania and Bulgaria. Unfortunately, the International Passenger Survey has been suspended and the ONS have ceased publishing emigration data to cross-check such remarkably large changes in the composition of the workforce. The large fall in migrant workers could partly be explained by the effect of the pandemic on the survey approach used. Whilst historically the Labour Force Survey (LFS) (which is used to produce these statistics) was carried out by interviewers knocking on selected doors, the pandemic has resulted in a switch to telephone interviews, which the ONS notes has resulted in differences in response rates. The published data attempts to account for these changes but it is possible that it is not doing an adequate job. We will want to follow this closely in the coming year.

Figure 1.21: Skilled Visas Issued



Source: Home Office, Immigration Statistics
 Notes: Includes both Main and Dependants
 Includes all routes within Tier 2

Figure 1.22: Change in Employment level by country of birth, 2019-2020



Source: ONS, LFS
 Notes: These results should be treated with caution given the change in how the LFS is conducted due to COVID-19. Data presents change from Quarter 3 2019 to Quarter 3 2020

Overall, we expect the labour market to weaken in 2021 and unemployment to rise, possibly quite substantially. Our central expectation is that there will be limited use of the new Skilled Worker Route, at least in the first half of 2021. Firms that are still recruiting are likely to receive more applications from the domestic workforce than has been the case in recent years when the labour market has been tight. The immigration system is deliberately designed to make it considerably more costly to recruit a worker from overseas than to

recruit from the domestic workforce, so we would expect far fewer visas to be issued. At the same time, it seems less likely that foreign workers will want to move countries until the pandemic is clearly under control. But it is important to remember that this is part of the flexibility of the system – when employer demand is weak or there is a large supply from the domestic workforce, the system will not be used much. When conditions improve and the labour market tightens, the system will have more users. This is a key reason why the MAC have not been in favour of an annual cap on the number of visas issued under the work route – and the Government have accepted this.

The impact of work migration

In our [EEA Migration Report \(2018\)](#) we provided analysis on the impacts of migrants on the labour market and economy. We concluded that migrants had little impact on the overall employment and unemployment outcomes of the UK-born workforce. This impact may vary across different UK-born groups with somewhat more negative effects for the lower-skilled and more positive effects for the higher-skilled, but such differences tend to be small. We also found that migration is not a major determinant of the wages of UK-born workers, but again there was some evidence that lower-skilled UK-born workers face a negative impact whilst higher-skilled workers benefit. Overall the magnitude of the impact was again found to be small.

The evidence suggests that immigration has had a positive impact on productivity, but the results are subject to significant uncertainty. As might be expected, higher-skilled workers seem to have a more positive impact. Evidence also suggests that high skilled migrants contribute positively to innovation, but there is limited evidence on the impact on investment. The research also shows that overall, there is no evidence that migration has had a negative impact on the training of the UK-born workforce but that skilled migrants have a positive impact on the quantity of training available.

On fiscal impacts we found that EEA migrants paid more in taxes than they received in benefits. The evidence at the time identified that a more selective approach to EEA migration, outside of free movement, could provide a larger benefit to public finances as net fiscal contribution is strongly related to age and, more importantly, earnings.

The economic impact of migration will also be influenced by dependants. For every work visa issued there are on average 0.43 dependants who enter the UK as well. These dependant migrants can work in jobs at any skill level. Dependants may also be children, retired, or others not in employment. Whilst children in education represents a fiscal cost, an assessment of future impacts would require inevitably speculative assumptions of how many of the migrants settle or remain in the UK into their retirement, and how well their dependants fare in the UK labour market. Analysis published in our EEA report showed that migrants' fiscal contributions vary significantly depending on their age and dependants.

Other work-related routes

(i) Global Talent (Tier 1)

The Global Talent route allows entry to work in the UK for leaders in academia, research, arts and culture and digital technology. The Government's objective with this route is to send a positive signal to migrants, showing the UK to be open to the best talent in the world – and the MAC supports that message. It provides a route of

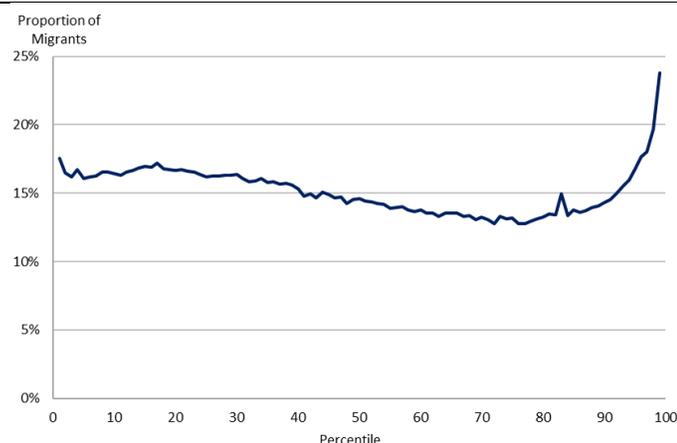
entry based on skill without the need for a job offer and gives substantially more flexibility to the visa holder compared to the standard work visa route. This route replaced the Exceptional Talent route in February 2020, with some tweaks to make the offer more generous. In 2019, 1,200 Visas were issued for Tier 1 (Exceptional Talent), comprising 800 visas for the main applicant and 400 for dependants.

The Global Talent route does not require a job offer at application, so we are not always able to identify the employment status of the applicant once the visa is granted. Our investigation as part of our review of the Points-Based System published in January 2020 concluded it was very difficult to assess how this route and predecessor routes had worked due to the lack of data.

Despite the lack of quantitative evidence, we have received some limited feedback from stakeholders. Some users of the scheme have highlighted that the criteria for this scheme were very challenging. They suggested that it was too narrowly defined, with many applicants being eligible through another route, raising questions about the added value of the scheme. In our report on the Points-Based System, we highlighted that the bar for such schemes was set high, targeted at those in the very top of their field. We recommended modifying the route to be more open and to also focus on those with exceptional promise rather than only those with an established track record. Since our review, the Government has made a number of changes and rebranded the route as Global Talent. There are still a relatively small number of visas granted for this route and we continue to recommend the changes we outlined in our January report and would wish to see more evidence collated on the route.

There is substantial benefit to the UK in attracting such workers. A recent study ([Advani, Koenig, Pessina and Summers, 2020](#)) found that migrants are overrepresented at the top of the income distribution, with migrants twice as prevalent in the top 0.1% as anywhere in the bottom 97%. Figure 1.23 below shows the share of migrants in each percentile of the income distribution. Since migrants account for around 15% of the UK workforce, most percentiles include around 15% of migrants. However, this increases in the top percentile showing that almost 25% of top earners in the UK are migrants. The research also found that such migrants are concentrated in a small number of industries, predominantly finance. It is important in this context to remember that the top percentile of taxpayers account for 29% of total income tax revenue.

Figure 1.23: Migrant income distribution

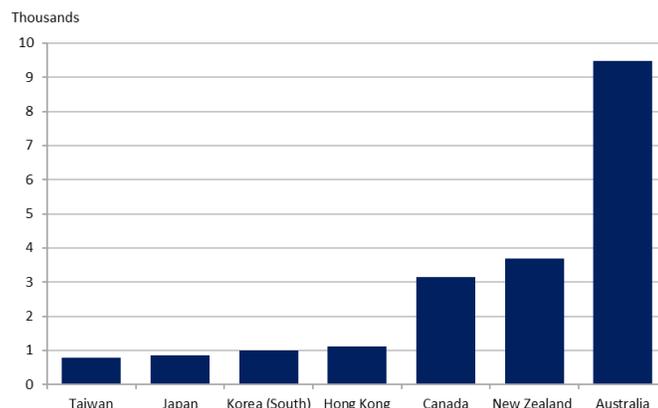


Source: [Advani, Koenig, Pessina and Summers, 2020](#)

Notes: Data for income distribution in 2017

Migrants defined as someone who was assigned NINO after age 18

Figure 1.24: Youth mobility visas issued by nationality, 2019



Source: Home Office, Immigration Statistics

Notes: Categories with less than 10 issued visas are excluded

(ii) Innovator and Start-up Visas

The Innovator route allows entry for migrants who want to set up or run a business in the UK for new, innovative and viable businesses. This requires at least £50,000 of investment funds and the business must be endorsed by an approved body. The Start-up route is aimed at those setting up a new business; it requires endorsement by an approved body but does not require investment. These routes replaced the Entrepreneur and Graduate Entrepreneur routes in March 2019. At that time multiple changes were made in how the routes operate, based on [MAC recommendations from 2015](#), including greater use of endorsement bodies and a focus on attracting innovative entrepreneurs. Initially there was very low uptake of these routes with 42 Innovator visas issued for main applicants and 204 Start-up visas issued in 2019 after the routes were launched. Numbers appear to be slowly picking up, with 150 Innovator visas issued from January to September 2020.

(iii) Investor Visas

The Investor visa allows entry for migrants who invest at least £2million in the UK. In 2019, 357 investor visas were issued for main applicants and a further 561 visas issued for their dependants. The MAC last reviewed the Investor route in 2014, in which year there were over 1,000 investor visas issued to main applicants. Changes were made to the route at the end of 2014 based on [MAC recommendations](#), including increasing the investment threshold from £1million to £2million. We are not aware of any analysis of the economic impact of these changes and the impact of investor visas in the UK since. This is an area where further investigation and evidence of the impact of the route would be valuable.

(iv) Youth Mobility and Temporary Workers Scheme (Tier 5)

Tier 5 includes a diverse range of routes, each of which has relatively small numbers of visas issued per year. In 2019, there were a total of 43,400 visas issued under Tier 5. The Youth Mobility Scheme is the largest route

within Tier 5 and allow entry for migrants aged between 18-30 from nine select countries to live and work in the UK for up to 2 years (Figure 1.24, above). Migrants can use this route to enter to study for some courses, work in most jobs (including RQF 1-2) or set up a company. Countries are eligible as a result of bilateral negotiation and the UK government will no doubt need to consider whether to seek to extend the benefits of the scheme to EU countries once we have left the transition period. 20,100 visas were issued for this route in 2019 with the largest proportions from Australia (47%) and New Zealand (18%).

It has not been possible to evaluate the impact of this route due to a lack of data on what happens to migrants once they enter the UK. We would encourage the Home Office to use administrative data sources across government to track these visa holders whilst they are in the UK to obtain a clearer picture as to the costs and benefits of this visa route.

(v) Seasonal Workers Pilot

In March 2019, the Government announced the introduction of the Seasonal Workers Pilot (SWP), running until the end of 2020. The SWP admits temporary workers from outside the European Union to work in the edible horticulture sector for up to six months. It was designed to test the effectiveness of our immigration system in supporting UK growers during peak production periods. Our [EEA Migration Report \(2018\)](#) argued against special sectoral immigration schemes since we felt it was inadvisable to favour one sector of the economy over another. However, we were clear that agriculture was an exception due to the specific characteristics of the seasonal labour market in that sector, which employed 99% foreign-born workers. The scheme operated with 2,500 places in 2019 for non-EU workers. The number of places was increased to 10,000 for 2020, with 6,400 visas issued up to the end of September 2020. We understand that an evaluation of the programme has been conducted, though it has not been published which limits our ability to comment on its effectiveness.

The COVID-19 pandemic has resulted in an increase in domestic unemployment and furloughed workers and a push via 'Pick for Britain' to match domestic workers to jobs in horticulture. Although domestic labour could help to fill some of these gaps, given the seasonal nature, difficult conditions and remote locations there is unlikely to be sufficient interest for these jobs to be filled entirely from the domestic workforce (at least without significant wage adjustments). Other countries who rely on migrant labour for seasonal agriculture have been similarly impacted by COVID-19, taken similar steps in response and farmers have cited similar issues with willingness and suitability of temporary workers. Germany launched 'The Land Helps' scheme to link volunteers to farmers, with France taking a similar approach. Many countries have also allowed for limited entry of migrant workers deeming them as essential workers ([ILO Report, 2020](#)).

In our [EEA Migration Report \(2018\)](#), we suggested that employers of a seasonal agricultural workers scheme could be required to pay a higher minimum wage to encourage increases in productivity in the sector, or a form of the Immigration Skills Charge could be introduced for the scheme. This would reflect that the sector is getting privileged access to labour in a generally low-wage sector. None of these have been a component of the current Seasonal Workers Pilot.

We recommend that the Government publish their evaluation assessing the impact of the pilot to provide evidence to make a prompt decision on a full-scale Seasonal Agricultural Workers Scheme.

Migration for study

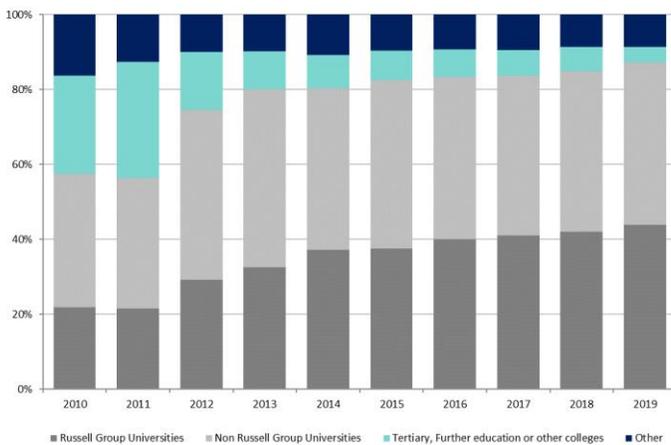
International Students from outside the EEA enter the UK under Tier 4 of the current visa system. The UK has the second largest net inflow (international students coming to the UK minus UK students studying abroad) of international students in the world after the USA. The UK has a long-standing comparative advantage in providing education to international students, based on the importance of English in the global economy and the high quality of the courses offered, but could soon be overtaken by Australia who currently rank third.

There are no restrictions on the number of student visas that are issued. Students can come for short courses (usually language schools), as pupils in independent schools or as students in further and higher education. EEA nationals are currently free to enter the UK to study without a visa, but this will change under the new immigration system. The new student route of the PBS has already been launched.

Latest available visa data for September 2020 show that the number of Tier 4 visas granted was 176,100 in the previous 12 months, a decrease of 36% on the previous year. This decrease in immigration has largely been driven by the COVID-19 pandemic and the reduced global travel that has happened as a consequence.

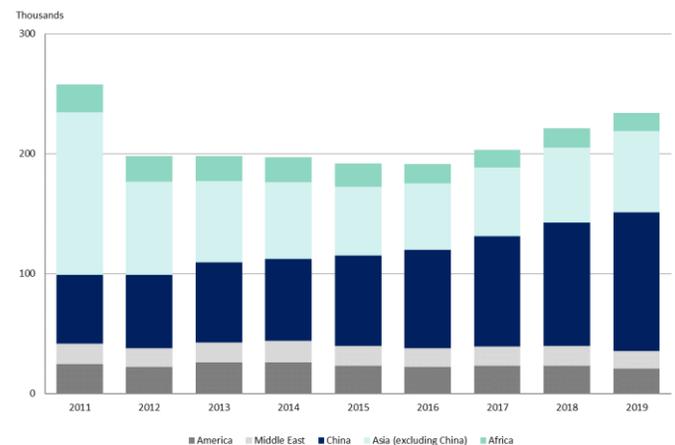
Figure 1.25 below shows the number of study visas broken down by type and year since 2011. Universities account for the majority of study visa applications with a steadily increasing trend through the years. Within the university sector, the Russell Group of universities have accounted for a growing share of this flow. Over the same period, the proportion of tertiary and further education visas granted have declined following a tightening of immigration rules for the further education sector. The COVID-19 pandemic has resulted in a move to virtual learning and hence some students may currently be studying at a UK university from their country of residence. Although they will be continuing to pay tuition fees whilst residing abroad, they will not be spending within the UK economy, but they will also not be accessing local services such as healthcare or housing.

Figure 1.25: Study visas by sponsor type



Source: Home Office, Immigration Statistics
 Note: Does not include short-term study visas

Figure 1.26 Study visas by region



Source: Home Office, Immigration Statistics

Figure 1.26 above shows the breakdown by area of origin. Chinese nationals accounted for 48% of the 241,800 sponsored study visas granted in 2019 and the number has doubled since 2011. Indian nationals accounted for

11%, and the number of visas issued has been increasing since 2015. The number of non-EEA nationals arriving at universities in 2019 was the highest level on record. In the 2018/2019 academic year there were 143,000 higher education enrollments from inside the EEA, and 342,600 from outside. Over the last five academic years, the [number of students](#) enrolling from inside the EEA has increased by just under 20,000, compared to an increase of just over 30,000 from outside of the EEA.

We examined the [Impact of International Students in the UK](#) in our 2018 report. The analysis concluded that international students provided positive economic benefits including cross-subsidising the education of domestic students and university research and that they had a positive impact on public finances. The evidence suggested that, on balance, domestic students had more positive than negative views of how international students affect their education and that there was no evidence that international students adversely affect the wider communities in which they live. Opinion polls suggest most people in the UK have a favourable view of international students even when they are less positively inclined towards immigration in general. Given the recent increase in student numbers, we would expect greater benefits as a result.

There is currently no cap on the numbers of international students able to come to the UK to study and we strongly recommend that this continues.

The Government has committed to changes to the student route as part of the future immigration system. In Summer 2021 students who have completed a degree at a UK Higher Education provider will be able to stay in the UK for two years (three years for PhD graduates) and work in any job, and then to switch into the PBS work routes if they find a suitable job.

The MAC recommended against such a post-study work route in the 2018 Report. We concluded that the demand for student visas should stem from the value of the education being acquired and an opportunity to stay in a skilled job in the UK afterwards that includes a reasonable period to find work and to support oneself in that period. Furthermore, we concluded that an extended post-study period of leave, with no conditions tied to it, risked adding to low-skilled migration and encouraging institutions to market themselves based on post-study work opportunities rather than the quality of the education they offer. Evidence from the Longitudinal Education Outcomes (LEO) dataset which uses HMRC records to link earnings with educational attainment further suggested that there was a significant group of migrant workers who had graduated from UK higher education institutions and earned relatively low salaries, and well below the salary thresholds for the Skilled Worker Route. We did however recognise that the evidence was not very robust, and the Government decided that the benefits of such a scheme outweighed the potential costs. It will be important to track the student outcomes and progression of those who use the post-study work route to understand the value of this route to the UK.

Migration for family reunification

Under the family route, those with permanent residence or citizenship in the UK may bring family from abroad to join them in the UK. As the name suggests the route is intended for family reunification rather than a purely economic rationale. UK citizens or settled residents may sponsor their partner or child - the options to sponsor other family members are very limited. The applicant and partner must have a combined income of £18,600, with an additional £3,800 for the first child and £2,400 for each subsequent child. Currently the

minimum income threshold does not need to be met if the family member coming to the UK is an EEA national, but this will be a requirement from January 2021 resulting in more stringent requirements for EEA family reunification. Family can also enter as a dependant alongside the main visa applicant subject to different rules. The income requirements for this route were based on [recommendations by the MAC](#) in 2011. 55,600 family visas and permits were issued in 2019. Since 2005, between 33,200 and 70,200 visas have been issued per year.

The EU Settlement Scheme (EUSS) and EEA family permits (covered in greater detail in the section on Settlement below), allow close non-EEA family members of EEA and Swiss nationals to live in the UK. Migrants apply using the EUSS if the family member they are joining has settled or pre-settled status, otherwise they apply using the EEA family permit scheme, which does not have a minimum income threshold. 2,700 EUSS family permits have been granted since the scheme was launched on 30 March 2019, whilst 29,500 EEA Family permits have been granted.

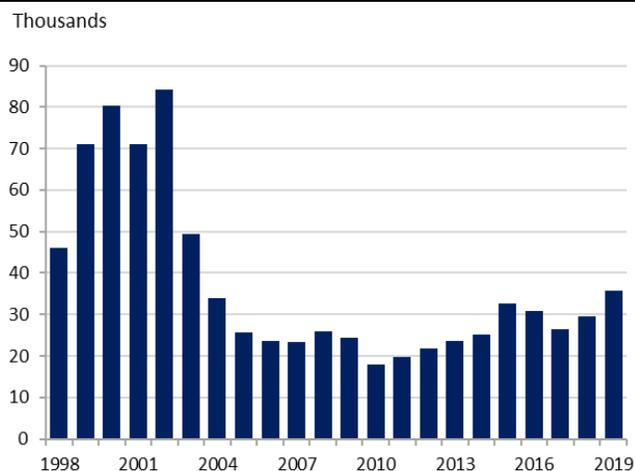
[Migration Observatory](#) analysis shows that whilst those that enter under this route are a small share of overall migration, they are more likely to remain in the UK in the long term compared to work or study migrants, and so may make a larger relative contribution to the size of the migrant population and workforce in the longer term. The economic impacts will depend on whether they work. 47% of those who say they came for family reasons are employed or in self-employment at the point at which they were surveyed. Out of those who are employed, 45% work in RQF1-2 jobs, 27% in RQF3-5 jobs and 27% in RQF6+ jobs. The economic impact will vary based on their demographic characteristics, such as age, qualifications and language. Other impacts such as unpaid care (for children, parents, etc.) are harder to quantify. Whilst there may be fiscal costs to government such as through healthcare and education, the Health Surcharge will help to cover this and migrants in work will also be contributing via tax and National Insurance contributions. Some of the migrants in jobs that do not meet the skills thresholds for work visas will be family migrants. Hence the family route has meant that not having a work visa does not necessarily cut off migrant labour supply in lower-wage jobs. Again, the paucity of data makes it difficult to assess the impact of this route on the UK labour market.

We also think now would be an opportune time to reconsider the minimum income requirements associated with this route. The MAC are concerned that previous analysis may have given too much weight to the fiscal contribution of such migrants and insufficient attention to the benefits that accrue, to both the family and society, from the route. In addition, it is a considerable time since the current income requirements were introduced, so more evidence should now be available to review the impact of these requirements.

Asylum

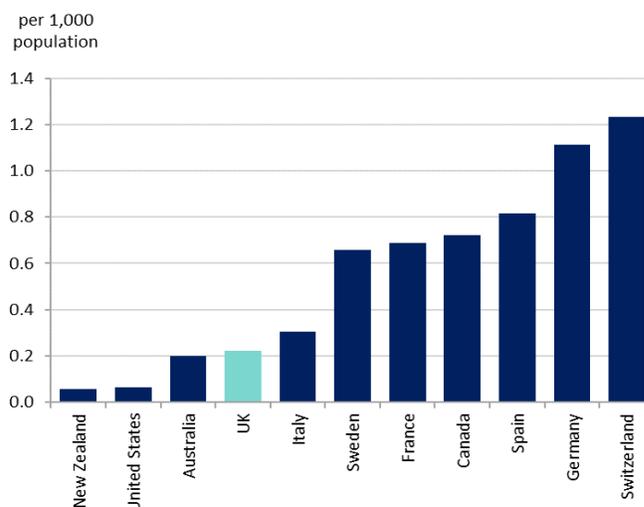
The UK is a signatory of the 1951 UN Refugee Convention and is obliged to offer protection in the form of asylum to those who apply and can demonstrate that they are unable to live safely in their own country for fear of persecution. The persecution can be as a result of race, religion, nationality, sexual orientation, gender or political opinion. Applicants should generally apply when they arrive in the UK or as soon as they think it would be unsafe to return to their country.

Figure 1.27 Total applications for asylum



Source: Home Office, Immigration Statistics

Figure 1.28 Estimated asylum grants per 1,000 population



Source: UNHCR 2019 Asylum Decisions
Worldbank

In 2019, there were a total of 35,700 people seeking asylum in the UK. There has been a small upward trend since 2010, but the numbers are substantially lower than those observed in the late 1990s and early 2000s when there were large flows of asylum applicants from war-torn countries including Iraq, Afghanistan, Somalia and the Former Republic of Yugoslavia. In 2019, 52% of initial decisions on applications granted asylum or another form of leave to remain in the UK. Home Office data show that the final grant rate tends to be 10 to 15 ppts higher than this initial rate following appeals.

[Migration Observatory](#) analysis shows that when adjusting for population size, the UK ranks 15th amongst the EU-28 in terms of asylum, having granted protection to 2 asylum applicants per 10,000 in 2019. A key reason for this is that it is difficult to reach the UK to apply for asylum, given our island geography and distance from major sources of asylum flows. In absolute terms, the UK accepted more resettled refugees in the decade to 2019 than any other EU country. When adjusting for population size, the UK ranks eighth among the EU-28 on this measure. However, in the UK as in the rest of Europe, larger numbers of people who are granted protection come as asylum seekers rather than resettled refugees.

From a labour market perspective, people who claim asylum in the UK are usually not allowed to work while their claim is pending. If their claim is granted, they have full work rights. Those with pending asylum claims may work in occupations in shortage (as determined by the Shortage Occupation List) if their application is not processed within 12 months and so could provide a potential source of supply to the UK labour market. Although numbers are not published on this, we would expect them to be extremely small.

Independent research from the [Centre on Migration, Policy and Society](#) has examined the long-term labour market outcomes of those whose main reason for entry was asylum compared to the UK-born and other migrant groups. The employment rate among asylum migrants was 51%, compared with 73% for the UK-born. Even after adjusting for different socio-demographic characteristics, the employment gap was still 12 ppts.

Although the gap declined as time in the UK increased, it was still present for those with 25 years of residency in the UK. Asylum migrants who were employees also earned less and worked fewer hours than UK-born and other migrants. This analysis suggests that more active efforts to integrate such migrants into work is essential to achieve positive labour market impacts. It may well be worth considering whether the outright ban on asylum claimants being able to work is a sensible policy, particular given the often long time frame involved in reaching a final decision on an application. We know from other research that significant time out of the labour market can have long-run negative consequences for future employment and earnings.

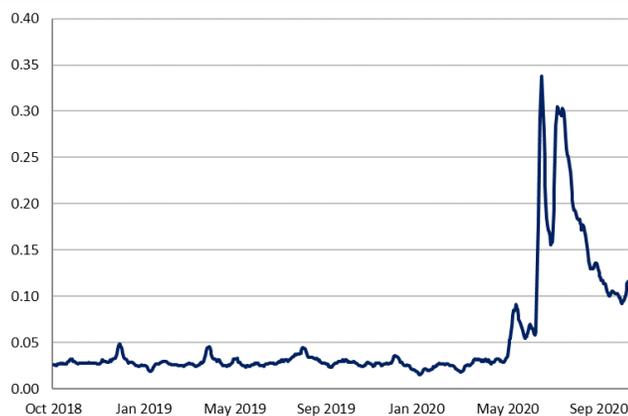
British National Overseas (BNO)

The Government has recently extended a residence offer to British Nationals from Hong Kong.

The Home Office’s [Impact Assessment](#) estimated that 2.9m Hong Kong residents will be eligible to move to the UK and follow the pathway to UK citizenship. Whilst forecasting the number of applications is challenging, the Home Office considered 2 scenarios based on Foreign, Commonwealth and Development Office estimates. In their scenario analysis they estimated between 257,200 - 832,500 migrants (main applicant and dependant) over five years. We would highlight just how uncertain any such analysis is – this is a completely unprecedented offer whose take-up will depend on a large range of unforecastable outcomes.

Analysis using data from Indeed online job site shows a large increase in the percentage of searches on their UK website from users in Hong Kong peaking in July but subsequently falling back again (Figure 1.29 below). It will be interesting to see whether such searchers remain above the average levels observed prior to the UK offer. It is likely that the pandemic and subsequent economic disruption could mean that fewer BNOs take up the opportunity to move, at least in the short term.

Figure 1.29: Percentage of searches on the UK Indeed site by users in Hong Kong



Source: Indeed
Notes: 7 day rolling mean.

Table 1.30: Demographics of Hong Kong nationals compared to other migrants and UK-born

		HK-born	Other migrants	UK-born
Economic status	Below 16	7%	8%	21%
	Employed	56%	61%	47%
	Inactive	35%	28%	30%
	Unemployed	2%	3%	2%
Education	Has degree	46%	42%	32%
Skill level	RQF1-2	33%	43%	38%
	RQF3-5	29%	26%	31%
	RQF6+	38%	31%	30%

Source: ONS, APS 2017-2019
Notes: Grey-shaded cells indicate small sample size. Other migrants include all non-UK born migrants excluding Hong-Kong born.

Table 1.30 above shows that Hong Kong nationals currently living in the UK are significantly more skilled than other migrants or the UK-born. 38% work in graduate-level jobs (RQF6+), compared to 31% for other migrants and 30% for UK-born. A larger share also has a degree, 46%, compared to 42% for other migrants and 32% for UK-born. The BNO scheme could therefore potentially increase the labour supply in the UK of such higher-skilled workers, though of course it is difficult to predict whether prior migrants from Hong Kong would be representative of flows under the new offer.

Settlement and citizenship

EEA nationals are currently free to work and settle in the UK. However, with the ending of freedom of movement, they will need to apply for settlement under the EU Settlement Scheme to continue to live and work in the UK. From January 2021, EEA migrants who come to the UK will be subject to the same requirements as non-EEA migrants. Non-EEA migrants can currently apply for settlement after a specified period of time, dependent on their visa - although not all routes allow settlement.

Table 1.31 below shows the visa status in 2019 of those migrants who arrived in the UK in 2009, split by initial visa type. The majority of migrants that arrived with a visa in 2009 are no longer in the country. 74% of visas that were granted to migrants in 2009 had expired by 2019. Students typically return to their own country after their studies have finished, though it will be interesting to examine whether the new post-study work route changes this significantly. As would be expected by the nature of the visa, a large proportion of those who entered on a family visa continue to stay in the UK, with 85% of individuals that came to the UK on a family visa in 2009, still in the UK a decade later. By contrast, only 26% of those that arrived on a work visa in 2009 had gained citizenship or settled status by 2019.

Table 1.31: 2019 Visa status by 2009 initial visa type

2009 initial visa type	2019 visa status					Total
	Citizenship	Expired	Settlement	Family	Other	
Family	56%	15%	27%	1%	1%	39,700
Study	4%	85%	5%	3%	4%	269,000
Work	20%	72%	6%	1%	1%	124,600
Dep. joining or accompanying	39%	44%	15%	1%	1%	16,400
Total	63,500	331,900	33,500	9,100	11,700	449,700

Source: Home Office, Migrant Journey 2019

Notes: Other includes Dep. Joining or accompanying, EEA family permits, Other, Study and Work categories.

Settlement

The settlement of migrants is an important factor, alongside entry, that should be considered when assessing the longer-term impact of migrants. The immigration system allows a route to settlement with different restrictions/eligibility dependent on the type of visa. Migrants on a work visa are eligible for settlement after 5 years.

Following our recommendation to review the settlement rules for the work route in January 2020, the Government have confirmed that the salary threshold for settlement will be the same as the salary threshold for entry (£25,600 or the occupation-specific threshold, whichever is higher), dropping from the current settlement threshold of £38,800 (where the entry salary threshold was £30,000). Unsurprisingly, we would expect the reduction in the settlement threshold to increase the number of migrants on work visas who will be eligible for settlement after 5 years. Based on the current migrant population of the UK that meet the skill and salary requirements for the Skilled Worker Route with no discounts, we estimate that after five years in the UK, 98% of EEA migrants and 94% of non-EEA migrants would meet the new settlement requirements, compared with 71% and 69% respectively reaching the old settlement requirements. Chapter 2 provides further evidence on labour market progression and the detail of these calculations.

Until 2015, the work route had the largest share of those obtaining settlement but since then the study route has provided the largest share. This includes people who arrived as students and then moved onto a work visa (since in most cases study visas do not provide a direct route to settlement). Whilst study visa holders are less likely to remain in the UK longer term (Table 1.31 above), they are an increasingly large share of visas issued, which accounts for their growing importance for settlement.

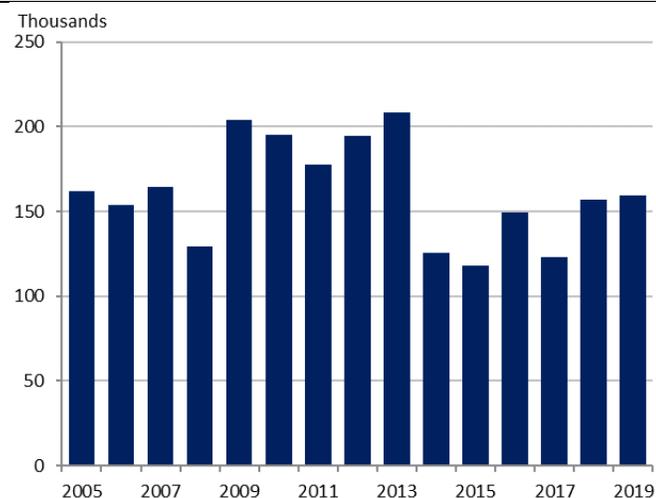
EU settlement scheme

As of 30th September 2020, there have been a total of 4.06 million EU settlement applications, with 3.88 million of those having been concluded. Of those concluded, 56% have been awarded settled status, 42% have pre-settled status and the rest have either been refused or withdrawn. The share of eligible EU citizens who have applied to the EU Settlement Scheme is not known, because there is no data source on the complete population of migrants in the UK that identifies their immigration status. The EUSS appears to be working well for most applicants, though given the high uncertainty about the numbers who have not yet applied, it will be important for the Government to ensure that those who fail to apply by the deadline of June 2021 are treated sympathetically.

Citizenship

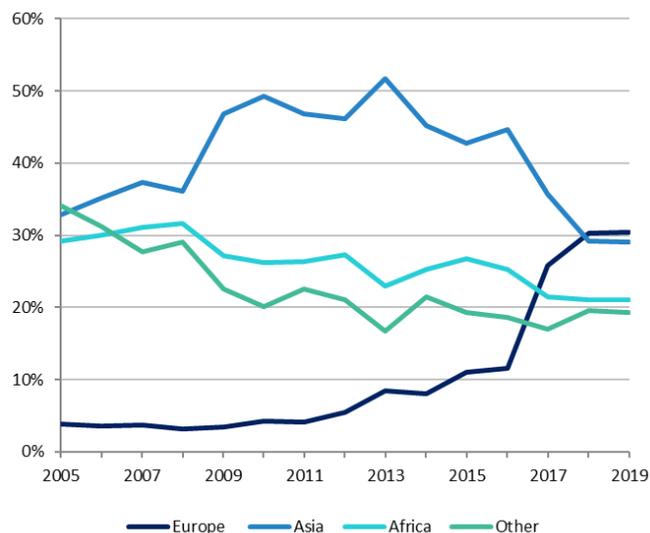
For some migrants, the ultimate destination of their journey is to obtain British citizenship. Whilst seeking citizenship is an important symbol of identity and inclusion, it does not have large consequences for labour market access for most migrants. This is because migrants who have obtained settlement but choose not to seek citizenship already have full work rights in the UK and few jobs have a citizenship requirement. As a consequence, the MAC have not historically examined this aspect of the immigration system.

Figure 1.32: Grants of citizenship



Source: Home Office, Immigration Statistics

Figure 1.33: Grants of citizenship by region of birth



Source: Home Office, Immigration Statistics

Since 2005, there have been on average just over 160,000 grants of British Citizenship each year, which is roughly equal to 0.3% of the stock of British Citizens currently resident in the UK (Figure 1.32 above). After a noticeable dip in citizenship grants in 2014 and 2015, the figures have returned to the average level of the whole period. It is important to remember that these numbers will be impacted by factors such as changes to the language requirement and processing time. There has been a very significant change in the region of birth of those applying for citizenship (Figure 1.33 above). Prior to the EU Referendum in 2016, EU citizens were generally unlikely to apply for citizenship. However, their share has risen substantially since then and in 2019 they accounted for the largest group of those receiving citizenship with a 30% share. This is in spite of the EU Settlement Scheme providing a straightforward route for settlement for EU citizens already present in the UK and it would not be surprising if this trend continued in coming years.

Summary

2020 has been a year of significant change for both the UK economy and the immigration system. We expect significant further development in 2021 with the start of the new Points-Based System in January and the ongoing impacts of COVID-19. The MAC will examine these in our next annual report, to understand whether there appear to have been structural longer-term changes to the labour market and migration patterns.

In a number of areas in this chapter we have highlighted the need for further analysis. As reform of the immigration system continues, it will be important to base future changes on the best evidence base possible. In some cases, such as the minimum income requirement for family reunification, it has been a considerable time since a review of the policy has been conducted and if changes are planned it would seem an opportune time to re-evaluate the evidence. In other cases, such as the Global Talent and Youth Mobility schemes, there has never been a proper evaluation. Finally, where change has been made as part of the new immigration system, such as the extension of the work visa to RQF 3-5 jobs or the new post-study work route, it will be important to evaluate the impact of these changes. The MAC will inevitably be involved in much of this work,

but the sheer scale of the work means that others, not least the Home Office, will also need to work on these issues.

The MAC has commented in the past on data limitations which have been a significant barrier to effective evaluation and implementation of policy. We reiterate the vital importance of such data for all the types of evaluation discussed above. To take a simple example, we currently have no reliable data on what those who enter the UK on a family visa end up doing. What proportion work and in what type of job? How much do they get paid? How much tax do they pay? It is to say the very least challenging to advise on policy with such a lacuna of data. There is an enormous challenge for the Government to better integrate and link administrative data sources to begin to answer such questions – but the long-run payoff to such an effort is enormous.

2: Research Focus

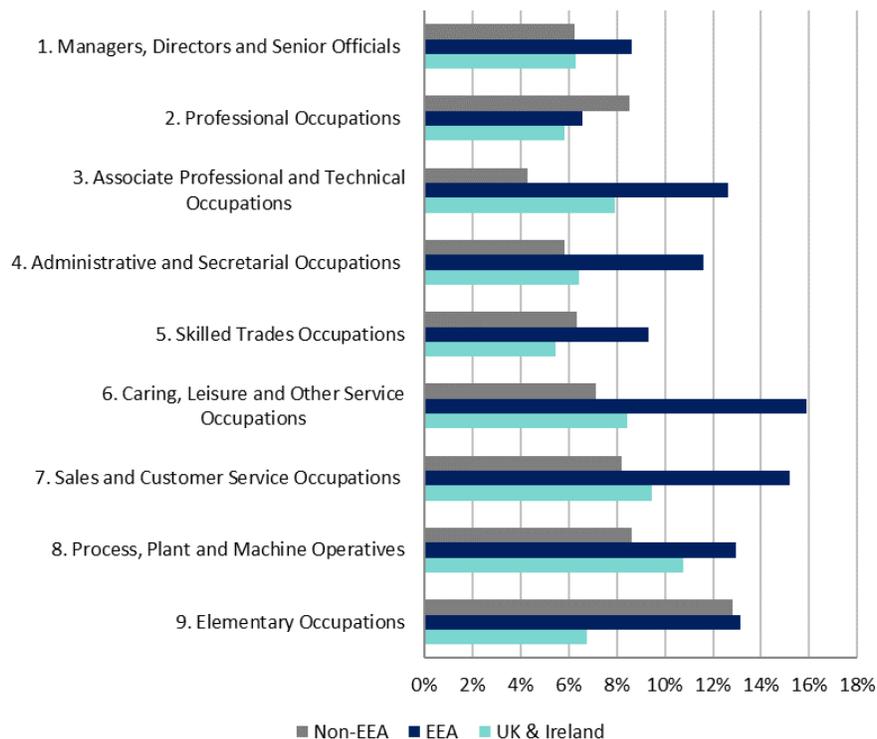
In this chapter we present findings from three pieces of analysis we have undertaken as part of our expanded remit in pursuing our own work agenda. These are areas where there are evidence gaps, on which we feel it would be useful to provide further analysis in order to understand the impacts of migration and migration policy in the longer term. We intend to publish further research and analysis on other topics over the next year, as set out in the Forward Look chapter of this report.

2a: Labour market progression

The earnings progression of migrants in the labour market is a relatively unexplored topic in the UK, partly due to the limited availability of appropriate data. The MAC has gained access to a novel dataset in which it is possible to track the earnings of the same individuals over time and identify migrants within the data by their nationality upon applying for a National Insurance number.

Our analysis follows the earnings progression of workers over five years after beginning work in a new job, to ensure that the rate of progression is not skewed by varying tenures with employers. We focus on only those workers who remain with the same employer for the whole five years to somewhat simulate the conditions of the Skilled Worker route. The sample includes workers that have started a new job at any point between 2000-2019 to gain an understanding of real long-term wage growth.

Figure 2a.1: Median 5-year real earnings growth amongst full time individuals remaining with one employer (2019 prices)



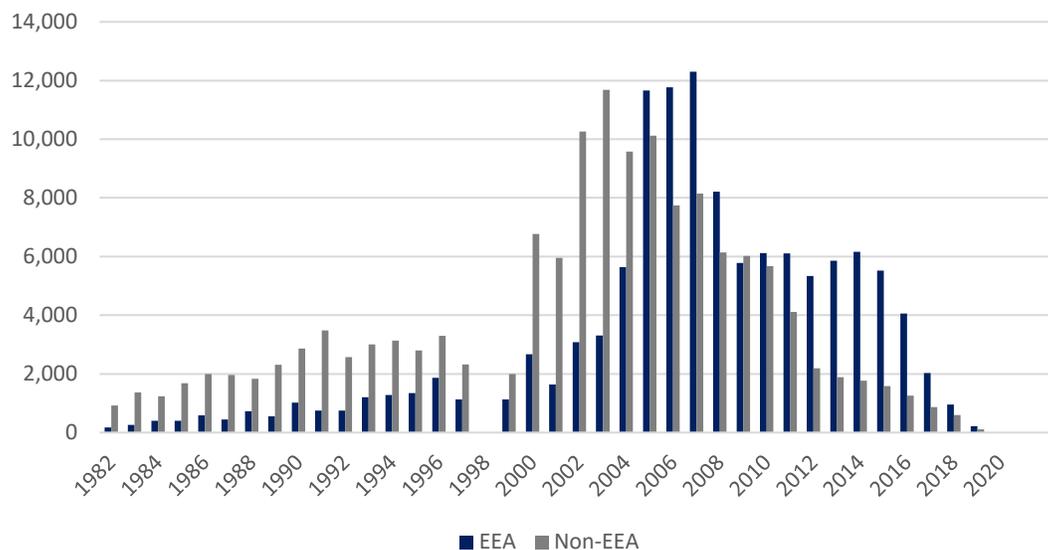
Source: ASHE/MWS 2000-2019

Figure 2a.1 above shows that all nationalities in all occupation groups experience positive real wage growth at the median across the five years. Earnings progression rates range from 4% amongst non-EEA workers in Associate Professional and Technical occupations, to 16% amongst EEA migrants in Caring, Leisure and Other Service occupations.

Across most occupation groups, EEA migrants benefit from the highest rates of earnings progression. One potential explanation for this higher rate of progression is that EEA migrants are typically younger than UK and non-EEA workers. In the sample, the median age of EEA workers is 33, in comparison to a median age of 38 amongst non-EEA and UK and Irish workers.

Another potential contributor to the higher rates of progression is that more EEA migrants than non-EEA migrants are recently arrived in the UK. Figure 2a.2 shows the number of EEA migrants and non-EEA migrants registering for a National Insurance number each year. Workers may arrive to the UK several years before registering for a National Insurance number, but they in general they require one to work. The finding of higher rates of progression amongst more recently arrived migrants is consistent with findings from academic papers such as [Dustmann et al. \(2013\)](#). This is because such migrants often downgrade upon arrival, defined as being employed in occupations that require lower skills than their observed characteristics. Such workers are likely to be able to progress more quickly in their roles as a result of their higher skill levels.

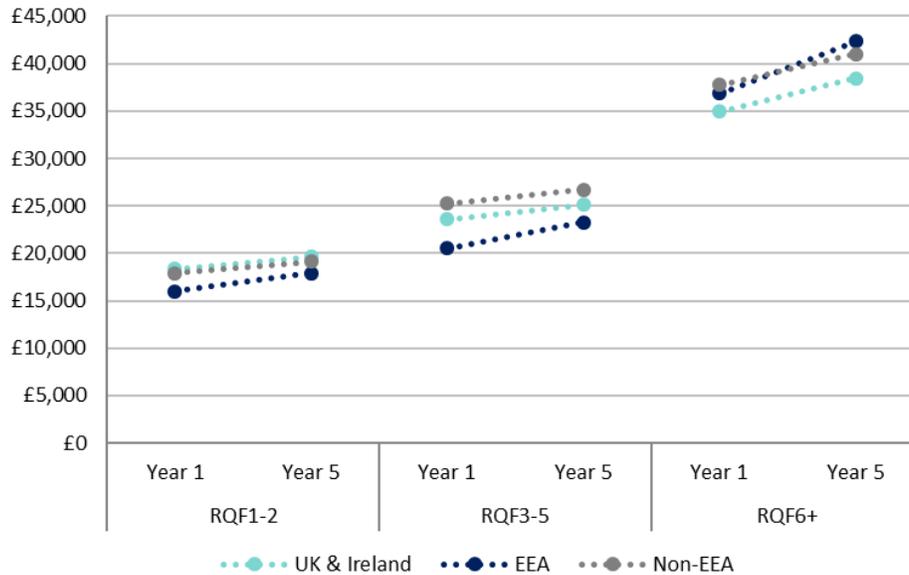
Figure 2a.2: Number of migrants registering for a National Insurance number, by year



Source: ASHE/MWS 2000-2019. Analysis not reported for 1998 due to issues in data.

It should be noted that within these occupation groups there is a variety of occupations at different skill levels, which may influence the rates of progression. In the sample observed, 38% work in occupations classified as RQF1-2, 30% in occupations classified as RQF3-5 and 32% in RQF6+ occupations. Figure 2a.3 presents the median earnings of workers in the first year of the selected employment, compared with the estimated earnings in the 5th year when the median rate of progression by nationality group and RQF level is applied. The steepness of the slope depicts the rate of progression.

Figure 2a.3: Median real annual salary changes Year 1-Year 5 by migrant group and RQF level (2019 prices)



Source: ASHE/MWS 2010-2019

Figure 2a.3 above shows that there is limited variation in progression rates across migrant groups. EEA migrants again achieve the highest rates of progression in each skill group, but the differences are not very substantial and EEA migrants begin in year 1 with the lowest absolute wage rates in RQF1-2 and RQF3-5 occupations.

The rate of progression amongst RQF1-2 occupations is the lowest of the skill groups, which is partially expected, due to the lower training requirements of these occupations. A point to note in this analysis is that the RQF level recorded for individuals in the cohort is taken from either year 1 or year 2 that they are observed. Amongst the sample, some will have gained additional qualifications, or moved away from initial occupation and moved into RQF3-5 occupations but would still be recorded in the RQF1-2 Year 5 category.

Amongst RQF6+ occupations, the rate of progression is slightly higher than other skill groups, and at the median, UK and Irish workers typically earn the lowest salaries in year 1 and year 5.

The rate of earnings progression amongst migrants is an important factor for considering eligibility for settlement under the Skilled Worker route in the UK. At present, the minimum earnings threshold for settlement is set at £38,800, but this is to be reduced to be equivalent to the binding salary threshold at entry for each individual, or £25,600, whichever is higher - from January 1st 2021.

Figure 2a.4 presents the proportion of workers with characteristics that would make them eligible for the Skilled Worker Route that pass the old and new settlement thresholds. Eligible workers are defined here as workers in RQF3+ occupations, who earn at least the binding salary threshold in year 1 of the analysis.

Under the old settlement threshold, 71% of eligible EEA migrants in the sample would have passed the settlement threshold and 69% of non-EEA migrants would have done so. This compares with close to 100% for both EEA and non-EEA who would pass the new threshold of £25,600. As such, a higher proportion of migrants would be expected to be able to settle in UK under the new, significantly lower, thresholds for settlement.

Figure 2a.4 Share of eligible workers that pass the settlement threshold

	Does not meet old or new threshold	Meets old threshold (£38,800)	Meets new threshold (£25,600)
Overall			
UK & Ireland	5%	62%	95%
EEA	2%	71%	98%
Non-EEA	6%	69%	94%
RQF3-5			
UK & Ireland	7%	35%	93%
EEA	3%	38%	97%
Non-EEA	15%	32%	85%
RQF6+			
UK & Ireland	3%	85%	97%
EEA	1%	85%	99%
Non-EEA	2%	85%	98%

Source: ASHE/MWS 2019

Note, however, that this sample contains many migrants who are not on work visas and would thus not have to meet any settlement thresholds. These figures should not be taken as a direct estimate of the share of workers who will be affected by the change in the settlement income threshold.

It is unsurprising that a high proportion of workers pass the new settlement threshold, given that many workers will have to earn the settlement threshold upon entry. For such workers, wages would actually need to fall during their five years of employment to miss the new settlement threshold. Some workers in public sector occupations that are subject to national pay scales upon entry may be less likely to reach £25,600 by the fifth year, but many of these occupations are included on the Shortage Occupation List, which exempts a worker from the settlement threshold. As such, these workers are excluded from the analysis.

Workers coming to the UK under the new Skilled Worker Route can receive a 30% discount on the binding salary threshold for their occupation, subject to a minimum of £20,480 if they are classified as a new entrant. Amongst workers in our sample that met the new entrant criteria in year 1 of the analysis, 65% of EEA workers and 84% of non-EEA workers would also meet the new settlement threshold, compared with 29% and 46% respectively passing the old threshold.

The progression of workers throughout the labour market is a function of a wide range of factors that cannot be disentangled in a simple analysis. Characteristics such as age, labour market experience and level of education, employer based training and other harder to measure factors, such as attitude to work and ambition, can be key determinants of progression that are not reflected in this analysis.

The MAC will continue to research the labour market progression of migrants using the ASHE/MWS data and will publish more detailed findings in 2021.

2b: Employers of migrants

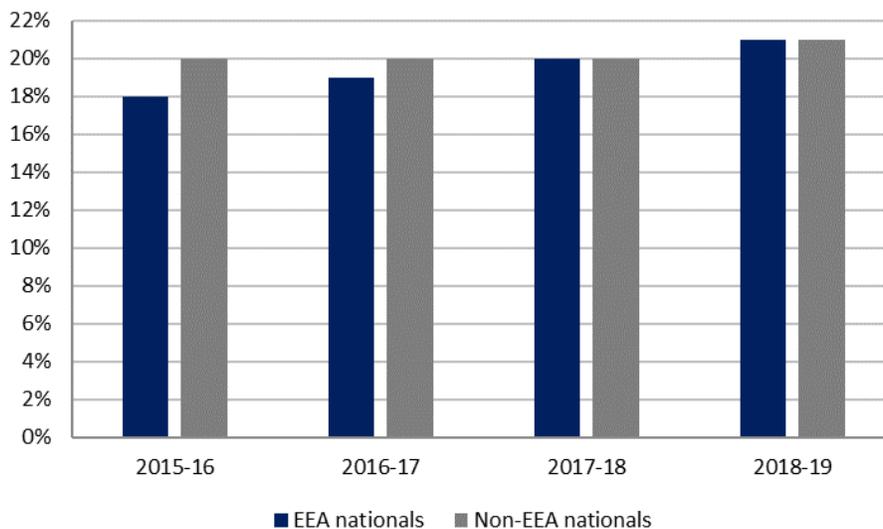
We commissioned HMRC to use their administrative tax return data to carry out analysis of the characteristics of UK employers who employ migrants. This analysis only covers employees who are payrolled by their employers. This section highlights the key findings of the full research paper and discusses the impact of the new Points-Based System for employers. The full research paper also includes the detailed methodology, data description and limitations of the research.

Throughout this analysis, the nationality of employees is based on what has been reported by individuals when they register for a National Insurance Number (NINo) through the adult NINo registration process. If an individual has subsequently naturalised or changed nationality, that is not reflected in these statistics. Based on analysis from other sources, this is most prevalent in the non-EEA grouping, where a higher proportion of those who have non-EEA nationality when they come to the UK eventually get UK nationality. In these cases, HMRC data will list the individual as having a non-UK nationality.

Recent trends

Overall, two thirds of employers in the UK did not employ any migrants (non-UK nationals at the time of NINo registration) in 2018/19. 21% of employers had at least one EEA employee in 2018/19. The same proportion of employers (21%) had at least one non-EEA employee in 2018/19.

Figure 2b.1: Proportion of employers that employ at least one EEA/Non-EEA migrant



Source: HMRC analysis

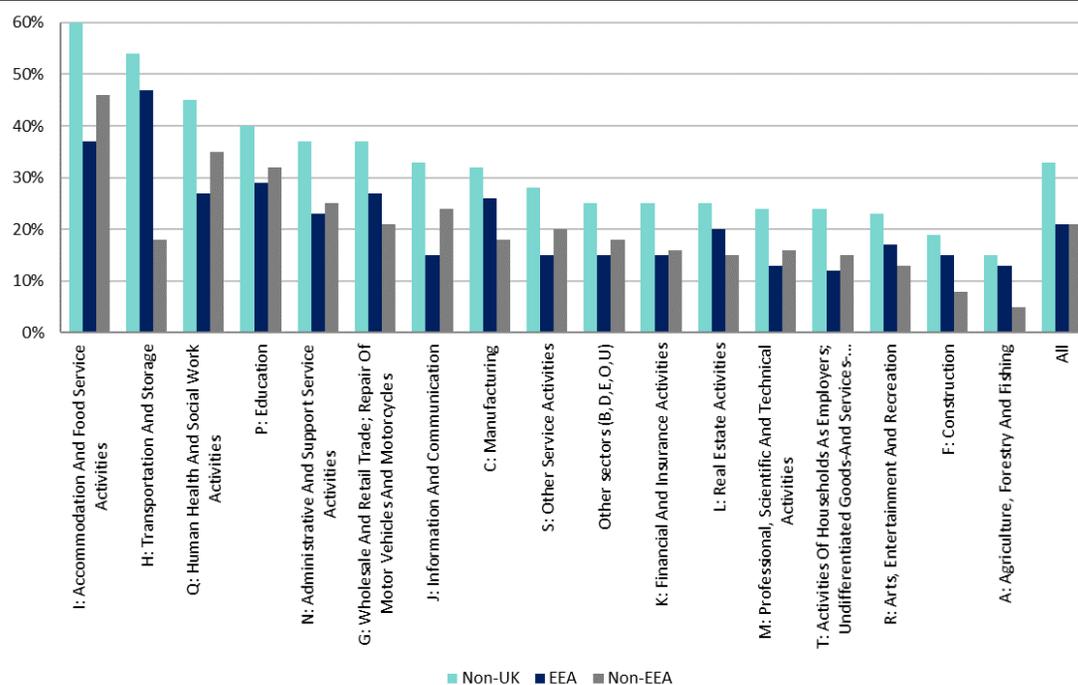
The proportion of employers with at least one EEA employee has grown faster than the proportion of employers with at least one non-EEA employee in the last few years. Figure 2b.1 above shows that the proportion of employers who employed at least one EEA migrant from 2015/16 to 2018/19 increased from 18% to 21%, whereas for non-EEA employees it increased from 20% to 21% over the same period.

Furthermore, 26% of employers that employed at least one EEA migrant in 2018/19 have an EEA employee that arrived in the UK from April 2017 (i.e. an employee who arrived in the UK in the previous year). This compares to 14% for employers of non-EEA migrants. We might expect to see a reversal in this trend once the new immigration system is operational in January 2021, as migration restrictions increase for EEA workers and decrease for some non-EEA workers.

Employer trends by sector

Figure 2b.2 below shows the proportion of employers with at least one non-UK/EEA/non-EEA employee by sector. These figures reflect, in part, average employer size. This is illustrated in Figure 2 in the Research Paper: Employers of Migrants, which showed that the larger the employer, the higher the probability that a migrant is employed. The accommodation and food service activities sector has the highest proportion of employers with at least one migrant (60%). The proportion of employers with at least one EEA migrant is similar to the proportion of employers with at least one non-EEA migrant in most industries. There are some notable exceptions, however. 47% of employers in the transportation and storage sector employ an EEA migrant, but only 18% employ a non-EEA migrant. In addition, twice as many employers in construction employ an EEA migrant (15%) than a non-EEA migrant (8%). On the other hand, 24% of employers in the information and communication sector employ a non-EEA migrant, but only 15% of employers in that sector employ an EEA migrant. See Figures 1.13 and 1.14 in Chapter 1 for the overall share of EEA and non-EEA migrants in selected sectors.

Figure 2b.2 The proportion of employers with at least one non-UK/EEA/non-EEA employee, by sector



Source: HMRC Analysis

Note: See the full Employers of migrants report for details of Other sectors (B, D, E, O, U).

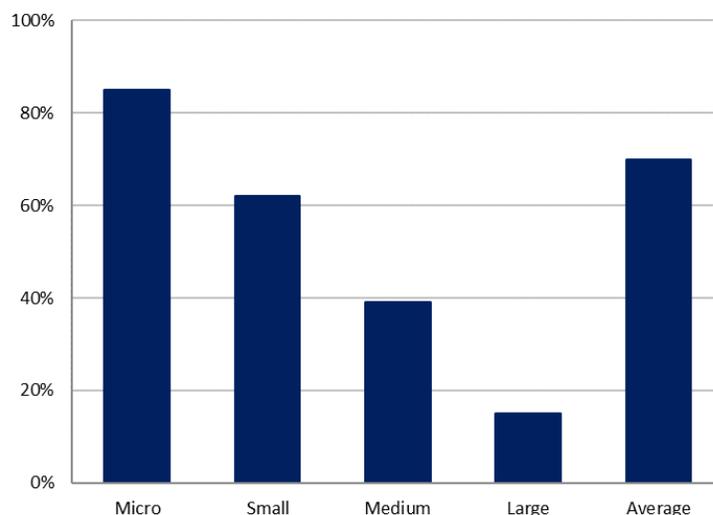
Salary thresholds

This section analyses the proportion of migrants that meet the general annual salary threshold of £25,600 (general threshold or threshold hereafter). This threshold comes into effect for migrants applying through the Skilled Worker Route from January 2021. We use this threshold for simplicity, but in practice, there are sometimes also occupation-specific thresholds and discounts for new entrants. Furthermore, the salary threshold is reduced by 20% (subject to an absolute minimum of £20,480) for occupations on the SOL. [The UK's points-based immigration system: policy statement](#) provides further details of the entry requirements for migrant workers. In addition, not all migrants need to meet these thresholds to work in the UK as some may come through other visa routes or as dependants.

Figure 2b.3 below shows the proportion of employers of EEA migrants that pay all EEA employees less than the general salary threshold, by employer size. The chart focuses only on those employers who employ at least one EEA worker i.e. we ignore all employers who do not have any EEA workers. On average, 70% of employers of EEA migrants pay all EEA employees less than the general threshold. This is largely because most micro employers (85%) pay all EEA employees less than the general threshold, and micro employers make up the largest share (82%) of all employers.

It must be noted that the skills threshold in the future immigration system will be for RQF3 level roles and above for the Skilled Worker Route. This is a restriction for EEA workers compared to freedom of movement. We do not take into account the impact of the skills threshold in this analysis, as the HMRC dataset does not include information on occupation.

Figure 2b.3: The proportion of employers of EEA migrants that pay all EEA employees less than the general salary threshold, by employer size



Source: HMRC analysis

Note: Micro employers: 0-9 employees, small employers: 10-49 employees, medium employers: 50-249 employees, large employers: 250+ employees

Without taking into account the skills threshold, the introduction of salary thresholds for EEA migrants in the future immigration system is likely to have the greatest impact on small and micro employers of EEA migrants. This is because the majority of micro (85%) and small (62%) employers of EEA migrants do not hit the salary threshold for any of their EEA employees. Consequently, the majority of small and micro employers are not paying enough to meet the general salary threshold in the Skilled Worker Route based on the pay of existing EEA nationals. It is important to remember that this analysis only looks at the general salary threshold for simplicity, and there will be lower salary threshold for some migrants coming through the Skilled Worker Route, such as new entrants and for those working in occupations on the Shortage Occupation List.

Although a smaller share of large employers does not hit the salary threshold for all EEA employees, almost all large employers (98%) employ at least one EEA migrant, compared to only 13% for micro employers. Furthermore, the average share of EEA employees within large employers of EEA migrants (12%) is lower than the average share of EEA employees within micro employers of EEA migrants (66%). Consequently, a greater proportion of large employers of EEA migrants will be affected by the January changes to the visa system, although in many cases their reliance on EEA workers is relatively low. That said, for 5% of large employers of EEA migrants, over half of their employees are EEA migrants. These employers will be affected significantly by the January changes to the immigration system. Small and micro employers are less likely to employ EEA migrants at all, but where they do it is often the case that they are heavily reliant on them and thus may have to change their recruitment of EEA migrants more significantly.

Conclusion

This analysis gives an insight into the characteristics of employers of migrants and discusses how employers of different characteristics may be impacted by the changes to the immigration system in January. As covered in our [Points-Based System report \(2020\)](#), it is still unclear to what extent any reduction in EEA migration as a result of the increase in immigration restrictions for this group will be offset by an increase in non-EEA work migration as a result of the lowering of immigration restrictions for non-EEA migrants. Further analysis will be required to determine the net effect to employers of the January changes to the immigration system. The full research paper, published alongside this report, provides more in-depth analysis as well as the detailed methodology, data description and limitations of the research.

2c: Self-employment: switching and sector concentration

The MAC commissioned HMRC to conduct analysis on self-employed migrants in the UK, looking at switching between working as an employee and self-employment. The analysis also provides insights into switching between sectors, for both employees and self-employed workers. The analysis looks at a cohort of individuals who were active in the UK labour market in tax year 2014/15 and tracks their behaviours over a five-year period. More detail on this analysis is in the full research paper.

Throughout this section, the nationality of workers is based on what has been reported by individuals when they register for a National Insurance number (NINo) through the adult NINo registration process. If an individual has subsequently naturalised or changed nationality, then this is not reflected in these statistics. In these cases, HMRC data will list the individual as having a non-UK nationality. Based on analysis from [other sources](#), this is most prevalent in the non-EEA grouping, where a higher proportion of those who have non-EEA nationality when they come to the UK eventually get UK nationality.

The data shows that EEA migrants are more likely to leave the UK labour market in any given period of time than migrant workers of other nationalities. Approximately 34% of EEA nationals were not included in the final year of the analysis as they were not active in the UK labour market for at least one year of the 5-year period over which the analysis takes place. This compares to 28% of non-EEA migrants and only 19% of UK and RoI nationals. This shows that migrant workers are more likely to drop out of the sample.

Figure 2c.1: Breakdown of sectors by nationality, all employment statuses included, 2014/15



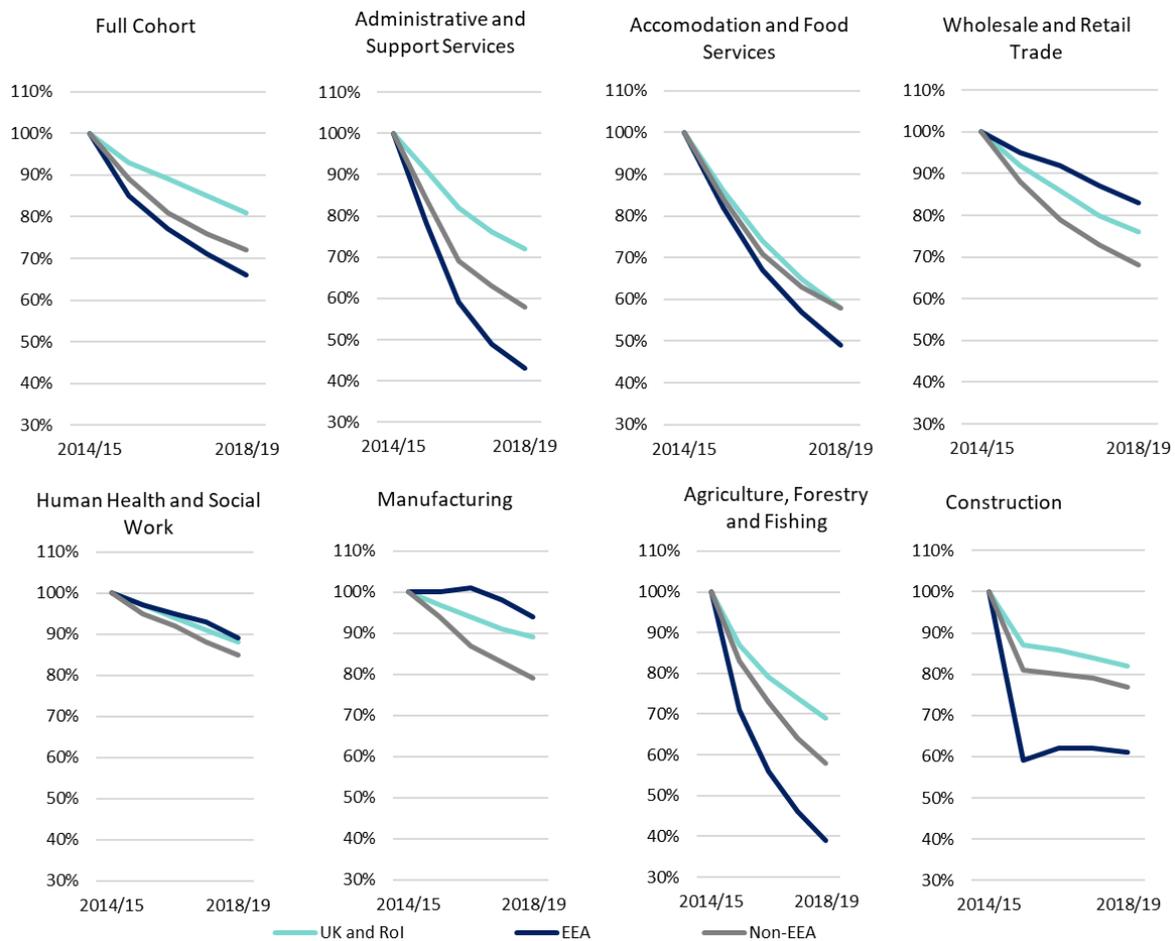
Source: HMRC analysis

In the study, seven key sectors were chosen to investigate further, based on characteristics including their size and proportion of migrant workers. Figure 2c.1 above shows that, in the first year of the study, 2014/15,

administration and support services had the highest proportion of EEA migrants working in the sector at 19%. This sector also has the highest proportion of migrant workers overall. Of the seven sectors, human health and social care has the lowest proportion of EEA migrants working in the sector with only 4%. 9% of the workers in this sector are migrants from outside of the EEA and 87% of the workers are UK and ROI nationals.

Although, the percentage of workers that switch sectors is consistent between the nationalities, the proportion of the original cohort that remains active in a given sector does vary significantly across sectors themselves, which may give an indication of staff turnover within the sectors. Figure 2c.2 below shows the rate at which workers remain active in the seven chosen sectors, broken down by nationality. It looks at the cohort of people who were active in the UK labour market in 2014/15 cohort and follows them for 5 years. Note that the people who are defined as non-UK nationals in the 2014/15 cohort include both recently arrived migrants and people who have been in the UK for many years.

Figure 2c.2: Workers from the cohort active in the seven chosen migrant sectors, by nationality



Source: HMRC analysis

Only workers in the original cohort (active in the UK labour market in 2014/15) are counted. If a person in this cohort stops being active in the labour market for at least one tax year, they are not counted in subsequent years. However, it is possible for a worker to move from one sector to another sector the next year, in which

case they are counted in their new sector of employment meaning that the numbers employed in some sectors can increase year-on year.

Figure 2c.2 shows that the behaviour of non-EEA and UK and RoI workers is relatively consistent across sectors, compared to that of EEA migrants. EEA migrants in the administrative services and accommodation and food sectors, however, are more likely to drop out of their sector of work than other migrant workers. This is likely to be due to more EEA workers leaving the UK labour market, as changing sector does not vary much across different nationalities.

By 2018/19, the number of EEA migrants from the cohort had fallen by over 50% in the following sectors: administrative services, accommodation and food, agriculture, forestry and fishing.

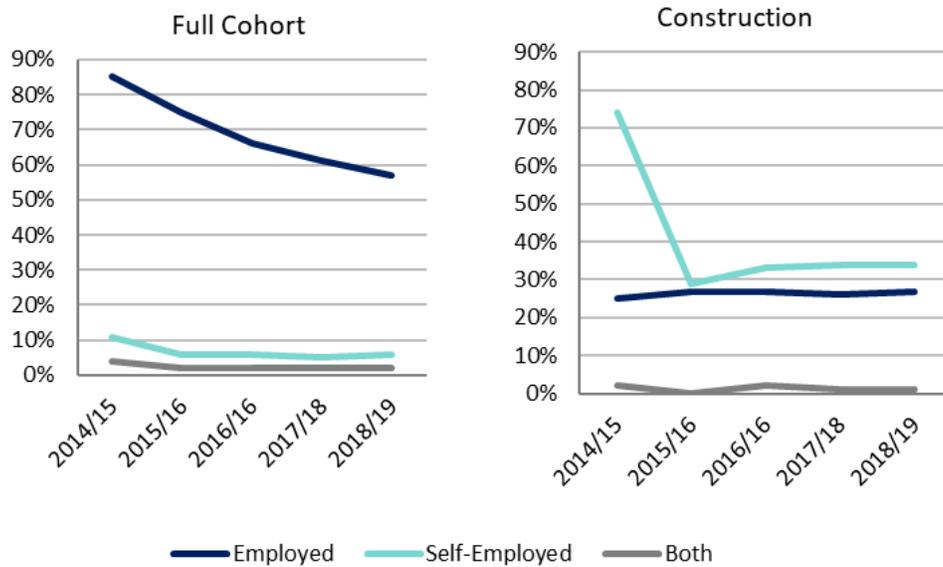
The data shown in Figure 2c.2 may point towards an issue within sectors that show a large fall in EEA migrant workers. As of 1st January 2021, the immigration rules for all migrants will change. EEA migrants will need to meet specific requirements in order to study or work in the UK. This is likely to cause a drop in EEA immigration, compared to free movement. The sectors which show a high turnover rate of EEA migrants may rely on EEA migration to replace workers who drop out of their sector. However, the change in immigration rules will make this more difficult, whilst making it somewhat easier for non-EEA workers to immigrate, and it is possible that non-EEA workers could therefore fill some of this gap.

Movements between employees and self-employed

The analysis shows that there is little variation in the likelihood of switching employment status between nationalities. The results also show it is extremely rare for a worker to change their employment status without also changing the sector that they work in, regardless of nationality. The amount of people in the cohort who changed their employment status but continued working in the same sector is so small it is less than 0.5% of the cohort for each employment status. This may partly be due to the differences in how sector information is assigned to self-employed workers compared to employed workers in the data.

Figure 2c.3 shows the employment status of EEA nationals in the 2014/15 cohort over time, showing all sectors and the construction sector only. There was a large (45 percentage point) fall in the number of EEA workers in the cohort that was working as self-employed in the Construction sector after one year, from 74% to 29%. Over the same time period, the sector only saw an 18 percentage point fall in self-employed non-EEA workers. This may indicate a fall in the number of self-employed workers in this sector in 2015/16. Alternatively, a more likely explanation is that it indicates a high level of churn, with EEA cohort workers leaving self-employed work in construction and being replaced by other workers who were not in the 2014/15 cohort. In the future immigration system there will be no route for self-employed migrants, meaning that sectors such as construction, with a high proportion of self-employed migrant workers, may be more impacted than sectors where workers are typically employees of a firm. However, this data seems to suggest that there is already high churn amongst self-employed EEA workers in this sector, and it will be important to track patterns of self-employment across sectors as the new immigration system rolls out.

Figure 2c.3: Proportions of Employment Status for EEA Migrants



Source: HMRC analysis

Conclusions

The analysis gives an insight into the behaviours of workers of different nationalities when it comes to switching their employment status or sector. EEA migrant workers are shown to be more likely to leave the UK labour market and become inactive in their sector of work than other nationalities in certain sectors, such as Administrative Services and Accommodation and Food. However, there is also great variation between sectors. The tendency of EEA migrants to switch sectors at a higher rate than non-EEA migrants highlights the potential issues that some sectors may face when the new immigration system begins. Further analysis would be needed to identify causes of the different switching rates or other details of labour market movements, such as more granular breakdowns of sector changes. The data also show that there is very little variation between workers of different nationalities when it comes to the rate at which they switch their employment status (between being an employee and self-employed). They also show that, in almost all cases, if a worker changes their employment status they also change the sector that they work in.

3: Forward look

This chapter outlines some of the work the MAC is, and expects to be, carrying out during 2021.

The MAC is delivering work against the following key priorities:

- Responding to the current commission on ICTs and preparing for future Government commissions (i.e. future reviews of the Shortage Occupation List (SOL), including reviewing the methodology by which we measure occupation shortage within the SOL);
- Strengthening links with the Devolved Administrations in order to ensure that our recommendations deliver for every part of the United Kingdom;
- Improving the data available to the MAC and making better use of existing data held across government for research on migration; and
- Undertaking independent analysis to continue to build the evidence on migration in the UK, including evaluation of changes to the migration system.

Further details on the analytical work referred to in this chapter are available elsewhere in the report, and the results of our analysis will also be made available in due course.

Responding to commissions and preparing for future commissions

ICTs

The Home Secretary has [commissioned](#) the MAC to consider any desirable changes to the intra-company transfer (ICT) route, and report in October 2021. A wide-ranging programme of work will be taking place during the first half of 2021 to support our analytical work, which is likely to include:

- Analysis of administrative data (for example certificates of sponsorship) and other data, to look at volumes and trends, including how ICTs are used and how that usage has changed over time;
- A Call for Evidence to gather views about ICTs, and a more targeted engagement and research with both users and non-users;
- Stakeholder engagement; and
- A review of how similar schemes work in other comparator countries.

Shortage Occupation List

In due course we would expect the Government to make decisions regarding the recommendations contained in our September 2020 [review of the SOL](#). It will be important for the Government to make clear its intentions regarding regular updating of the SOL, responding to our suggested approach.

The MAC frequently reviews the methodology by which we measure shortage, in order to ensure that it remains as effective as possible. We plan to prepare for future SOL commissions by reviewing our methodology during 2021, with the aim of using the revised methodology in time for the next major review. The process will involve a consideration of the indicators that we use (we also use indicators other than those

relating to shortage where appropriate, such as in the 2020 review of the SOL, where several indicators relating to the impact of COVID-19 were added to improve and contextualise our analysis), an investigation of alternative data sources that may provide more real-time information, and a review of how we can best seek the views of stakeholders to maximise the value of the information they have.

Other work being carried out by the MAC will also feed into this area: we recently commissioned a review of the available literature on employer decision-making processes with regard to skills shortages and migration, with the full report of the literature review's findings being available on the MAC [website](#). The qualitative research we are carrying out with employers will also influence the work.

Working with stakeholders

The MAC regularly and proactively engages with stakeholders, both in response to commissions and as part of our regular business. A full list of events held in 2020 is available in the MAC Governance Report, which has been published alongside this report. The first MAC stakeholder forum, the purpose of which is to allow us to engage with our stakeholders on general matters relating to migration and enable us to identify issues of concern at an early stage, was held in September 2020 and the second is planned for early 2021.

Planning for the MAC's first academic conference will also begin next year.

Strengthening links with the Devolved Administrations

Although immigration is a matter reserved to the UK government, we recognise that MAC recommendations need to deliver for every part of the UK. We carefully consider evidence as it relates both to the UK as a whole, for the separate Devolved Administrations, and for different types of region and community (for example urban, rural, coastal). For instance, occupations may be in shortage across the whole of the UK, or just in part. This is why the MAC previously recommended the creation of separate SOLs for Scotland, Wales and Northern Ireland, and has to date recommended occupations to all these lists.

Although the expertise of the members of the MAC covers the whole of the UK, we are keen to work further with the devolved nations, and in particular to gather more on-the-ground information from across the UK. We are therefore recruiting for Secretariat members to be based within the devolved nations to provide a more continuous and consistent source of intelligence on the particular issues facing the devolved nations. In addition, the recent recruitment round for new members of the Committee sought candidates who could demonstrate a *“knowledge of the issues affecting the devolved nations and regions of the UK, with a clear understanding of the concerns of key stakeholders within them and the ability to articulate those issues and ensure they are considered in the work of the MAC”*.

Improving the data available to the MAC

We have made multiple recommendations in previous reports on improving our access to data and the significant untapped potential through linking datasets held across government to build the evidence on the impacts of migration and migration policy in the UK. Over the past year we have made good progress on accessing specific datasets with the very helpful assistance of the Home Office, which has enabled the independent analysis included in Chapter 2. We would like to thank HMRC analysts for their expertise in using

the Real Time Information (RTI) data which we have used to understand more about the employers of migrants and self-employed migrants (see Chapter 2). We are also grateful to DWP, HMRC and ONS for enabling access to the Annual Survey of Hours and Earnings/Migrant Worker Scan data, allowing us to undertake analysis on labour market progression of migrants (see Chapter 2).

Ongoing engagement with government departments is underway to continue to improve the MAC's access to datasets and promoting matching between datasets. This will enable us to know more about what happens after migrants enter the UK for work or study, including outcomes and subsequent switching behaviour.

Undertaking independent analysis to improve the evidence base on migration

As well as running Calls for Evidence, and other research to support the current commission on ICTs and to prepare for potential future commissions on the Shortage Occupation List, the MAC has a number of other projects (both short-term and long-term in nature) that we will be working on during 2021.

Evaluation of the Future Border and Immigration System (FBIS)

We will focus on impact evaluation of key policy levers within the new FBIS to see whether they are working as intended. We plan to focus in particular on aspects of the policy on which the MAC has previously advised. The two (interrelated) priorities for the evaluation to be carried out by the MAC are:

- The expansion of eligibility to RQF3-5 jobs and associated lowering of the salary threshold; and
- The impact of occupations being on the SOL versus not being on the SOL.

The evaluation will aim to compare outcomes after changes to the FBIS are switched on, with outcomes before changes are switched on. Although there will be limits on what is possible, given that all migrants will be subject to the same rules, we are aiming to have an evaluation that is as robust as possible. The evaluation will include an assessment of change over time as a result of changes to the immigration rules, and a number of techniques will be used to try and isolate the impacts of the changes from the impact of other factors, for example COVID-19 and the ending of freedom of movement.

We intend to use large-scale analysis of Home Office and other administrative data, including matching with data from other sources where necessary. This will be a long-term project. Although work has already started, because the impact of the new system will take time to show (for example, it will take a few years before we know how many people entering under the new system apply for settlement) we anticipate that we will need to continue to carry out this analysis for several years.

Primary research with employers

We are currently preparing to carry out a small-scale programme of in-depth qualitative interviews with employers, primarily in the construction, IT and manufacturing sectors. Around thirty telephone interviews will take place with employers from across the UK, during which we will explore in further detail the ways employers think about the concepts of shortage and skills, and the trade-offs they make, building on the

findings of the literature review. The interviews will be analysed thematically, following which we will produce a report on the findings.

We would expect to publish the results of this work in 2021. The findings will also feed into the review of the methodology used for the Shortage Occupation List.

Alongside this work, we also plan to carry out separate analysis of employers' decision-making processes and how they make trade-offs between different policy levers at their disposal (for example pay, training, migration). We are currently scoping this work.

Research on social care

Following the independent review into social care, which is due to deliver its findings in 2021, we will explore the potential for carrying out further research to inform this important area of work.

4: Windrush response

In March this year, the [Windrush Lessons Learned Review](#) was published. As the report's author Wendy Williams states:

"Members of the Windrush generation and their children have been poorly served by this country. They had every right to be here and should never have been caught in the immigration net. The many stories of injustice and hardship are heartbreaking, with jobs lost, lives uprooted and untold damage done to so many individuals and families."

Much of the report focused on the operation of the 'hostile environment' and the particular difficulties that this caused for the Windrush generation. The report describes the 'hostile environment' (later the 'compliant environment') as a set of measures that evolved with successive governments since the 1990s and which aimed to make life as difficult as possible for people with no legal status in the UK, in order to encourage them to leave. The report documents in great detail how this environment trapped members of the Windrush generation.

There were no recommendations explicitly directed toward the MAC, and as such it would not be appropriate for the MAC to comment on the majority of the recommendations of the review. However, there are a small number of recommendations that more obviously relate to our work, and the MAC has reflected on these.

First, the Review highlights the importance of assessing the adverse impact of any policy proposals on vulnerable individuals and groups, and on evaluating proposals in terms of their impact on those with protected characteristics. More broadly, we need to recognise fully the importance of not focusing only on the average impact of a recommendation, but on the impact across the distribution. In general, this is something the MAC endeavours to do whenever the data are available, but we could arguably be clearer in instances when this is not possible and highlight the risks that this entails.

Second, the Review pointed to a lack of focus on the unintended consequences of policy. Too often an immigration policy has been adopted to respond to a particular aspect of the system, with insufficient attention to the other effects that the policy may have. The MAC recognises that we also could be more proactive in considering such consequences when making recommendations to government.

Both of these aspects of the Review are closely related to the issue of data availability and access. To be able to accurately assess the potential impacts of our recommendations across different groups requires greater access to data held across government. This was clearly set out in our [letter to the Home Secretary](#) to accompany the recent [Shortage Occupation List Review](#), where we said:

"In our past three reports, we have highlighted that there is significant opportunity to improve migration analysis and our understanding of the impacts of migration policy, through access to existing linked datasets and linking other datasets held across government. We welcome the recent messages from across government on the importance of data access for specialists to analyse the effectiveness of policy. This is essential for the work of the MAC. We are continuing to work with the Home Office and other departments to ensure that we have access to the data we need to make recommendations based on the best available evidence."

The MAC has recently been able to access the Annual Survey of Hours and Earnings data linked to the Migrant Worker Scan, which goes some way to enabling a greater analytical review of migrant earnings across different groups. We would strongly support the reduction of barriers, within government, to enable better access to cross-departmental data sources.

In addition, the Review recommends an improvement in engagement, social research and ensuring service users are involved in the design of services. The MAC secretariat has expanded its social research expertise within the last twelve months and for the first time we will be conducting our own qualitative research to feed into future reports. We have expanded our engagement to improve our understanding of all regions and nations within the UK and are committed to having secretariat members embedded in the Devolved Nations to further the MAC's knowledge of the impact of our recommendations across the UK.

Finally, the Committee has reviewed the details of the ['Comprehensive Improvement Plan'](#) that the Home Office has introduced. The MAC secretariat will be involved in this programme as Home Office civil servants, but Committee Members would also welcome the opportunity of being able to participate in this programme.

Annex A: Labour Market Progression

The earnings progression of migrants in the UK is a relatively unexplored topic due to the limited relevant data that was previously available. The MAC have gained access to a novel dataset in which the Annual Survey of Hours and Earnings (ASHE) data is combined with the Migrant Worker Scan (MWS) data.

This annex provides some additional context and methodology to the preliminary findings from the ASHE/MWS data that is included in Chapter 2 of this report.

Data

The ASHE is a large employer-based survey, covering 1% of employees, based on the last 2-digits of the workers National Insurance Number (NINo). The [survey](#) is conducted in April of each year and obtains data from employers directly on wages, hours worked, and industry and occupation. Historically the ASHE data has been one of the most reliable sources of earnings data but has had limited use in migration analysis as it does not contain a country of birth or nationality identifier.

The MWS is a dataset jointly owned by HMRC and DWP and contains data on nationality at the point of NINo registration. The nationality of individuals is taken from National Insurance records and is only available for those who were allocated a NINo via the adult registration process.

The longitudinal version of ASHE is matched onto the MWS using NINos, and the matched dataset includes all variables present in ASHE, in addition to nationality at the point of NINo registration, the date that the NINo was issued, and the reported date of arrival in the UK. The complete dataset covers the period from 1997-2019, and tracks individuals for as many periods as they continue to appear in the ASHE data.

Historically the MAC has used country of birth as a proxy for migrant status as opposed to nationality due to the challenges that arise with the recording of dual nationality. The Migrant Worker Scan records nationality at the point of entry to the UK, so is a better proxy for migrant status than nationality recorded in a given reference year, as there will be fewer people that have acquired UK citizenship at that point.

Methodology

We restrict the data to include only full-time workers, defined in the ASHE dataset as those who work more than 30 paid hours per week, and progression is calculated only in an individual's main job, if they have more than one. We measure progression as the percentage change in wages from the first year of a new job to the fifth year in the same job.

Earnings are recorded using the 'he' variable in the ASHE data, which gives hourly earnings in the reference period. This is then annualised and restricted at the lower bound to the 5th percentile of the distribution in the observed year (broadly equivalent to the minimum wage over the sample period), and at the upper bound to the 99th percentile. This ensures that outliers and errors are removed from the analysis.

Earnings are all presented in 2019 prices, adjusted using CPIH to ensure comparability across all workers regardless of years in which the five-year period of observation occurs. As a result of minimum wage growth occurring at a faster rate than inflation, we have chosen to utilise the 5th percentile of the yearly distribution

of *he*, to ensure that minimum wage workers in previous years were not excluded in error due to their 2019 prices falling below the 2019 minimum wage.

The 'he' variable records any overtime worked and ensures that the annualised earnings are reflective of the working situation at the time of being interviewed.

To calculate the earnings progression equally across individuals, the analysis follows individuals from the beginning of Year 1 with a new job until the end of year 5, identified using the 'sjd' variable in the ASHE data, which provides a marker for where an employee is in the same job as the previous year.

The sample is restricted to include only those who began year 1 of their observation in 2000 or later, which enables a substantial period over which to observe the rates of progression. Notably, restricting the analysis to those beginning year 1 in 2010 did not make any significant change to the median rates of progression observed.

The skill level analysis uses a subset of the original cohort, focusing on those who began year 1 of their observation in 2010 or later. This is because the RQF levels are assigned to the 2010 iteration of 4-digit occupation codes, and application of these skill levels to the previous 2000 iteration is not straightforward. The skill analysis focuses purely on the RQF level associated with the occupation carried out by individuals in year 1 that they are observed, or year 2 if this information is missing in year 1.

The proportion of migrants that pass the settlement thresholds are calculated by restricting the sample of workers followed for 5 years to those working in occupations classified as RQF3+ (as this is the skills threshold for the Skilled Worker Route in the future immigration system). The sample is then restricted further to include only those earning at least the required salary threshold for their respective occupation in Year 1 of the analysis. The required salary threshold to enter via the Skilled Worker Route is generally £25,600, or the 25th percentile of the earnings distribution in the relative occupation, whichever is higher.

New entrants are defined as those who are aged 25 and under in year 1 that they are observed, working in an RQF3+ occupation in year 1 that they are observed, and earning either 70% of the binding salary threshold for their occupation, or £20,480, whichever is higher.

Key limitations

This analysis specifically follows individuals at the aggregate level and does not make any attempt to comment on whether there are systematic differences between the pay of UK and non-UK workers. There are no provisions, at this stage of the analysis, to comment on whether there are comparable rates of progression across comparable workers in different migrant groups. The analysis is currently restricted to understanding the earnings progression of migrants and does not capture any form of skill progression where a worker may have attained additional training or qualifications.

The ASHE/MWS provides a migrant proxy using nationality at the point of entry to the UK only, so it cannot provide information on the type of visa route used to enter the UK, nor can it account for when a migrant has gained indefinite leave to remain or settlement in the UK. For this reason, the analysis can restrict the sample to imitate the requirements of migrants on particular routes but cannot do so with any formal identifier.

The MWS records migrants' nationality at the time of registration. It does not hold information on changes in nationality after the allocation of a NINo. If an individual holds more than one nationality, only one is recorded, and in this case the individual chooses which is recorded.

The classification of EEA members in the MWS is based on current EEA membership. It is not based on EEA membership at the time the NINo was issued, or when an individual arrived in the UK.

The MWS captures both NINo registration date and reported date of arrival in the UK. The MWS covers NINo registrations from 1975 onwards but has significant under reporting in 1997 and 1998. It is also worth noting that the MWS will capture only the latest arrival details, which overwrites any previous arrival, although the registration dates remain unchanged. The impact of this is that it can appear that someone has registered before they arrived – which prior to 2018 (when HO started issuing National Insurance numbers to Non-EU nationals) was not technically possible.

Forward look

The MAC will continue to study the labour market earnings progression of migrants more comprehensively and will publish a complete research paper with further findings in 2021.