

Migration Advisory Committee

Annual Report 2015/16

Migration Advisory Committee

October 2016



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Committee:**

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Foreword by Professor Sir David Metcalf CBE

This has been a busy year for the MAC.

Shortly after the 2015 General Election, the then Prime Minister, David Cameron, made a speech on immigration that identified a central role for the MAC in advising the Government on how to reduce skilled migration to the UK. Following that speech, we received a commission, in two parts, to undertake a comprehensive review of Tier 2. In undertaking this complex work we consulted widely with partners and carried out extensive analysis of the available data. We concluded that the price mechanism remains the best way to restrict skilled migration, through the salaries paid to skilled migrants. We therefore recommended that the government seek to achieve its aim of reducing skilled migration by raising salary thresholds rather than restricting the occupations eligible for Tier 2. We also raised some concerns about the operation of the intra-company transfer route and made proposals intended to clarify the way this route applied only to senior managers and specialists.

During the course of the year, we also published our review of the Tier 1 (Entrepreneur) route, as a complement to our previous review of the Tier 1 (Investor) route in 2014. As with the review of the investor route, our analysis revealed that the entrepreneur route was not working as intended, with a substantial proportion of low quality businesses being established under the route. We recommended a more selective approach to improve the quality of entrepreneurs and maximise the economic benefit to the UK. Our recommendations are currently being considered by government.

Last, but not least, we again reviewed whether there was a shortage of nurses, notwithstanding our having reviewed this at the beginning of 2015. Our report was highly critical of all parties involved, with the exception of nurses themselves. Data were weak, the planning process was ineffective and there was insufficient consideration by employers of other methods to recruit and retain nurses, particularly with regard to nurses' pay. We concluded that migrant nurses were the health and care sectors' Get Out of Jail Free card. However, in the absence of other short-term solutions, we did recommend that nurses remain on the Shortage Occupation List.

The MAC's international reputation has continued to grow and MAC members have offered their considerable knowledge and experience in a variety of far flung places from Mexico to Malaysia. We have worked with the World Bank and the OECD to highlight the MAC's work and have offered evidence to Parliamentary select committees and all-party groups.

Looking ahead, I must note that, yet again, the MAC has not received a full work plan for the year 2016-17. There have once again been delays in the appointment of a new Committee member. Both impact on the ability of the Committee to work effectively.

Finally, some farewells. Following the Comprehensive Spending Review in autumn 2015, it was announced that the UK Commission for Employment and Skills (UKCES) will close later in 2016. A representative of the UKCES has sat on

the Committee as an ex officio member since 2007, a role that has ensured our work on skilled migration is closely aligned with the government's skills policy aims. We are therefore grateful to Lesley Giles for fulfilling this duty since November 2011 as well as previous representatives from UKCES. All have done so capably and have provided insightful and incisive contributions to the MAC's work.

The Home Office representative, John Thompson, has moved on to new opportunities and we are grateful to him for his advice and explanation of the complexities of Government policy making. We welcome his successor, Paul Regan.

After 9 years sterling service on the MAC, we said goodbye to Professor Jonathan Wadsworth. Jonathan has had significant impact on the MAC's work and been directly responsible for overseeing and developing much of our methodology. We are looking forward to working with his successor, Madeleine Sumption, who was appointed in July 2016.

My term as a member and Chair of the MAC will come to an end during the next year. I am proud to have led such a distinguished body of experts and to have helped deliver high quality, evidence-based advice to the Government. I am very grateful to all current and past members of the MAC, and its secretariat, for their help and support in achieving this.

A handwritten signature in black ink that reads "David Metcalf". The signature is written in a cursive style with a large, stylized 'D' and 'M'.

Professor Sir David Metcalf CBE
Chair, Migration Advisory Committee

The Migration Advisory Committee

Chair



Professor Sir David Metcalf CBE
(from August 2007)

Home Office representative



Paul Regan

Members



Professor Alan Manning
(from March 2015)



Dr Jennifer C. Smith
(from November 2012)



Professor Jackline Wahba (from November 2012)



Madeleine Sumption
(from July 2016)

Leavers 2015-16



Professor Jonathan Wadsworth (from December 2007 to November 2015)



Lesley Giles UK Commission for Employment and Skills representative



John Thompson Home Office representative

Introduction

This is our fourth annual Report and:

- provides an overview of the Committee's work;
- confirms the MAC's Terms of Reference and membership; and
- gives a summary of the issues the Committee considered between April 2015 and March 2016.

Terms of reference

The MAC is tasked with providing transparent, independent, evidence-based advice to Government. Its purpose is to deliver high-quality reports and policy advice in accordance with the work plan set by the Government. In addition, the MAC is tasked with helping to ensure that Government policy and strategy in relation to migration is based on the best possible evidence and analysis.

Relationship with the Home Office

The MAC is an advisory non-departmental public body sponsored by the Home Office. Further information on the MAC's relationship with the Home Office is set out in its Framework Document, which is published on the MAC's website. The MAC's secretariat is comprised of Home Office civil servants who are operationally independent from the Home Office. Its corporate functions such as finance, IT and HR support are provided by the Home Office.

MAC meetings held during 2015-16

Between 1 April 2015 and 31 March 2016 the MAC held 11 full Committee meetings. The minutes of all Committee meetings are published on the MAC website at <https://www.gov.uk/government/organisations/migration-advisory-committee/about/our-governance>.

Appointments

The MAC Sponsor Team, in conjunction with the Home Office Public Appointments Team, is responsible for identifying Members to the MAC through a public appointment process.

Appointments to the MAC are made by the Minister for Immigration in accordance with the Office of the Commissioner for Public Appointments' (OCPA) Code of Practice and in line with the Nolan Principles of Public Life.

The principles set out in the Code of Practice are:

Merit

The overriding principle is selection on merit. This means providing Ministers with a choice of high quality candidates, drawn from a strong and diverse field, whose

skills, experience and qualities have been judged to best meet the needs of the public body or statutory office in question.

Fairness

Selection processes must be objective, impartial and applied consistently. They must ensure that candidates are assessed against the same published criteria.

Openness

Public appointments must be advertised publicly in a way that is designed to attract a strong and diverse field of suitable candidates. Information about the requirements of the post and the selection process must be publicly available.

Appointments during 2015-2016

Professor Jonathan Wadsworth was first appointed to the MAC in 2007 and his appointment came to an end in November 2015. In accordance with guidance issued by OCPA, an open competition was launched to find a replacement for Professor Wadsworth. The process to appoint a successor to Professor Wadsworth was not completed until July 2016 when Madeleine Sumption from the Migration Observatory at Oxford University was appointed to join the MAC.

Professor Sir David Metcalf's appointment as Chair of the MAC ended in August 2016 and the process to recruit Sir David's successor has begun.

The MAC understands the need to comply with the public appointment process in recruiting members to the MAC, but is concerned that, following the protracted process to appoint Professor Alan Manning last year, there was again a delay in the appointment process of Professor Wadsworth's successor. There may come a point at which these delays could impact on the effectiveness of the MAC to deliver its work plan. This is particularly so with regard to the appointment of a new Chair and the MAC hope that this can be accomplished without any undue delay.

Corporate partner engagement

The MAC combines detailed analysis of national level data with in-depth knowledge of, and evidence from, employers and other partners involved in the UK labour market. A key feature of the MAC's work, therefore, is the development of full and effective engagement with a wide variety of partners from within business, central and local government, sector skills councils, trade unions, academia and individual employers.

Partner engagement is actively pursued by the MAC through a number of different fora. A small, focussed panel comprising representatives from the Trade Union Congress, the Confederation of British Industry, British Chambers of Commerce and NHS Employers provides immediate reaction to the MAC's proposals and a sounding board for its ideas.

A larger, more representative, corporate partner forum offers other groups the chance to interact directly with the MAC. This has a non-fixed membership, with all partners being invited to attend a forum in London each time the MAC is consulting on a specific issue. In addition, meetings for individual sectors such as engineering, health, education, social care, finance and IT and the creative sector are held when necessary. The MAC hosted eight Open Forums during the year covered by this report.

The MAC also instituted a new forum during the time covered by this report to meet with representatives from the health and social care sectors in order to better understand how migration and the labour market impacts on these sectors.

The MAC also visits partners in their workplaces to see specific jobs in action and attends a number of regional and national fora across the UK as well as meetings with partners and representatives from a wide range of organisations. The Committee values engagement with partners from across the whole of the UK, while recognising that many bodies have headquarters or main offices in London. The MAC has had engagement with over 300 separate bodies during this reporting year. The MAC and its secretariat have undertaken visits to Belfast, Bristol, Cambridge, Edinburgh, Exeter, Glasgow, Leamington Spa, Leeds, Newcastle, Sheffield and Shrewsbury.

The secretariat

The MAC's small secretariat comprises representatives from different disciplines across the civil service and draws on experience of different government departments. Represented within the team are experts in the fields of economics, policy development, corporate partner engagement and administrative skills. All economists are members of the Government Economic Service (GES) and are recruited following GES rules and processes.

The secretariat's policy and administrative staff are all assessed against the professional skills for government standards and have been recruited from across Government. The secretariat supports the Committee and, more generally, helps to ensure that Government policy and strategy in relation to migration is based on robust evidence and analysis.

The secretariat respects the MAC's independence at all times. It is responsible to the MAC and supports the MAC in carrying out its responsibilities, under the guidance of the Chair. However, the secretariat also has a responsibility to ensure that the MAC is operating with due regard to all relevant legislation, rules and procedures and in full compliance with the expectations incumbent upon it as a public body.

There were 12 full-time members of the secretariat in the reporting year. There is a natural turnover of staff but it is managed to ensure the secretariat is able to support the MAC. The secretariat also typically employs a summer intern economist.

MAC work plan

During 2015-16, immigration remained a major issue for the Government. Soon after the General Election in May 2015, the Prime Minister made a speech on immigration and identified work that the MAC would be asked to do. The Prime Minister said:

“...we will reform our immigration and labour market rules – reducing the demand for skilled [migrant] workers, and cracking down on those who exploit low-skilled workers. That starts with training our own people...As we improve the training of British workers, we should – over time – be able to lower the number of skilled workers we have to bring in from elsewhere. So as we embark on this massive skills drive, we will ask the Migration Advisory Committee to advise on significantly reducing the level of economic migration from outside the EU.”

Although the MAC, again, did not receive from the Government a formal work plan, following on from Prime Minister’s speech, the MAC did receive a number of commissions to review Tier 2 of the Points Based System, the Tier 1 (Entrepreneur) route (although this commission was in place before the Election, the bulk of the work was done during the post-Election period) and whether nurses should be retained on the Shortage Occupation List (SOL). The work the MAC was asked to do during this reporting period is detailed in the next section.

Work of the Migration Advisory Committee in 2015-16

Tier 1 Entrepreneurs: Review of the Tier 1 Entrepreneur and Graduate Entrepreneur routes (published September 2015)

In September 2015, the MAC published a review of the Tier 1 (Entrepreneur) route. This was in response to a commission from the government asking that the MAC:

“consider whether the existing design of the Tier 1 (Entrepreneur) route is appropriate to deliver significant economic benefits for the UK and in particular whether:

- a) the initial eligibility criterion of access to funds is a sufficient determinant of entrepreneurial ability and whether other criteria, for example, assessment of previous entrepreneurial activity and/or testing the purpose of the investment, should be applied;*
- b) the existing eligibility and extension criteria are aligned sufficiently with entrepreneurial and early stage business life-cycles, including consideration of the role angel investors and crowd-funding can play;*
- c) the route utilises international best practice. As part of this, the MAC is requested to consider route design and incentives to ensure competitiveness.”*

The MAC published a call for evidence in relation to this commission on 24 March 2015 with a request to receive evidence by 12 June 2015. It held two Open Forum events to allow partners to present evidence to the Committee and to seek clarification on the questions. Meetings and roundtables with other government departments, Tier 1 entrepreneurs, accelerator programmes, financial institutions, law firms and interest groups were also held.

The MAC found clear examples of migrants establishing highly innovative, high-growth potential businesses but also evidence of low quality businesses being established. The MAC recommended that the Government substantially reform the visa route for entrepreneurs looking to come to the UK and said a more selective approach would improve the quality of entrepreneurs and maximise the economic benefit to the country. In addition, the MAC recommended that the Government consider introducing a visa route specifically for talented entrepreneurs looking to establish their start-up businesses in the UK.

As part of its recommendations to make the entrepreneur route more selective, the MAC said that industry experts should be responsible for selecting successful applicants. It also recommended that routine monitoring of successful applicants be introduced.

The Government is considering whether to make changes to the Tier 1 (Entrepreneur) route in response to the MAC report.

Review of Tier 2: analysis of salary thresholds (reported July 2015)

On 10 June 2015, the Government commissioned the MAC to carry out a review of Tier 2 to address concerns about the rising number of migrants in that route and employer reliance on them to fill shortages. This commission was split into two parts:

- I. early advice on Tier 2 salary thresholds, to report by 21 July 2015;
- II. a wider review of Tier 2, to report by mid-December 2015.

(i) Tier 2 salary thresholds

The Government asked the MAC to provide early advice on the economic rationale and impact on net migration for setting new minimum salary thresholds to ensure that Tier 2 migrants are not undercutting the resident labour force. The MAC was asked to consider the impact of:

(i) increasing the Tier 2 (General) minimum salary threshold of £20,800 and the Tier 2 (ICT) minimum salary thresholds of £24,800 for the short-term category and £41,500 for the long-term category to a level that better aligns with the salaries paid to highly-specialised experts or individuals filling skills shortages skilled to NQF level 6 or higher

(ii) increasing the Tier 2 minimum salaries per occupation for experienced workers from the 25th percentile to the 50th or 75th percentiles, or other appropriate measure

(iii) increasing the Tier 2 minimum salaries per occupation for new entrant workers from the 10th percentile to the 25th or 50th percentiles, or other appropriate measure

The MAC published a call for evidence to collect the views and opinions of interested partners on 18 June 2015, which closed on 3 July 2015. The call set out the Government's commission and identified questions on which the MAC wished to receive corporate partners' views.

The MAC received 159 written submissions of evidence from organisations and individuals and meetings were held with representatives from over 100 organisations. Most of the meetings were in a forum style which allowed the MAC to meet a number of partners simultaneously.

The MAC reported to Government in July 2015. The report did not make specific recommendations, but urged the Government to be cautious about making early decisions to raise the minimum salary requirements for skilled migrant workers, pending the completion of the MAC's wider review of Tier 2 due for later in 2015. The MAC did conclude that there was a good case for increasing the overall minimum threshold for Tier 2 (General), which at that time was £20,800, in order to reflect increases in the minimum skill requirement from National Qualifications Framework (NQF) level 3 to NQF level 6. The MAC's analysis found little evidence to suggest there was widespread undercutting of UK resident workers by Tier 2 migrants. However, that finding was subject to further work being undertaken as part of the wider Tier 2 review.

The Government accepted the MAC's recommendation to defer making a decision about salary thresholds pending the outcome of the MAC's wider Tier 2 review.

(ii) Wider review of Tier 2

The Government's commission on the wider review of Tier 2 was as follows:

"The MAC is asked to advise on changes to Tier 2 to address concerns about the rising number of migrants in that route and reliance on them to fill shortages. This should include advice on the following:

- (i) restricting Tier 2 (General) recruitment, compared with the current rules, to genuine skills shortages and highly specialist experts only. The MAC should consider how Tier 2 (General) and the shortage occupation list should be reformed to achieve this objective but with flexibility to include high value roles, key public service workers and those which require specialist skills. The MAC should advise on selection criteria such as, but not limited to, salaries, points for particular attributes, economic need and skills level, and whether such an approach should also operate in respect of intra-company transfers, and the position of those switching from Tier 4;*
- (ii) how to limit the length of time occupations can be classed as having shortages: what would be an appropriate maximum duration and should there be exceptions?*

- (iii) applying a skills levy to businesses recruiting from outside the EEA, the proceeds from which would fund apprenticeships in the UK. This should consider which businesses the levy should apply to and the impact of different levels of levy, balancing the need to maximise the incentive for employers to recruit and train UK workers with the ability of businesses to access the skilled migrants they need;*
- (iv) the impact, on Tier 2 numbers, the economy and the public finances, of restricting the automatic right of the dependants of Tier 2 visa holders to work on their Tier 2 dependant visa;*
- (v) the scope to tighten the Tier 2 intra-company transfer (ICT) provisions and the impact this would have on business and the economy. The MAC is asked to review any aspects of the rules and operation of the ICT route, including its usage by companies to service business process outsourcing contracts with third parties. In addition, the MAC is asked to consider the case for applying the immigration health surcharge to ICTs.”*

The MAC carried out a large amount of quantitative analysis using available datasets from Home Office’s management information and other sources. In addition, the MAC issued a call for evidence to collect the views and opinions of interested partners. The call for evidence was launched on 2 July 2015 and closed on 25 September 2015.

Around 250 written submissions of evidence were received from organisations and individuals. Responses were received from a variety of sectors, including research and education, engineering, health and social care, IT and digital, and law firms. Meetings were held with representatives from over 200 organisations. The majority of these meetings were held at partner sites in London, though the MAC also visited partners in Bristol, Edinburgh, Belfast, Exeter and the West Midlands.

This was a complex commission covering five issues:

- how to prioritise Tier 2 and make it more selective;
- a skills levy, now called an immigration skills charge (ISC);
- tightening of the intra-company transfer route;
- automatic sunseting, such that an occupation or job is removed from the SOL after a fixed period;
- automatic work rights for dependants.

The MAC’s main recommendations are summarised as follows:

- the best way for the Government to achieve its aim of restricting volumes under Tier 2 and focusing on more highly skilled migrants is through price;

- the cost of Tier 2 recruitment should be raised via higher overall minimum salary thresholds and the introduction of an Immigration Skills Charge;
- the use of the Tier 2 (Intra-company Transfer) route for third-party contracting should be moved into a separate route and a higher salary threshold (£41,500) be applied;
- Tier 2 (General) should not be restricted only to occupations on an expanded shortage occupation list; and
- no restrictions should be applied to dependants' right to work. Neither should there be an automatic sunseting of occupations on the shortage occupation list.

Table 1 sets out the MAC's recommendations in full.

Table 1: Tier 2 report recommendations	
Salary Thresholds	<ul style="list-style-type: none"> • Raise the overall minimum salary threshold to reflect the change in skill requirement to NQF6+. The threshold should be based on the salary distribution for all employees working within occupations skilled to NQF6+, set at the 25th percentile (£30,000) for both Tier 2 (General) and short-term Tier 2 (Intra-Company transfers). For new entrants within Tier 2 (General) and the Graduate Trainee route within Tier 2 (Intra-company Transfer) route, a lower threshold should be set at the 10th percentile (£23,000). • There is no need for regional variation in the salary thresholds as the 25th percentile is more representative of a worker in a low paying region. • The public sector may require time to move up to the new salary thresholds but should not be offered a permanent exemption from the higher thresholds. The thresholds for the public sector should gradually increase over time to reach the £30,000 threshold. • The Government may wish to consider the special case of start-ups and creative occupations where they are likely to be disproportionately affected by the increase in salary thresholds.

Table 1: Tier 2 report recommendations

Immigration Skills Charge	<ul style="list-style-type: none">• The MAC recognised that it is a matter for HM Treasury to determine both the level of the Immigration Skills Charge and how the revenue is spent. However, the MAC considered that:<ul style="list-style-type: none">○ The Immigration Skills Charge should be an upfront cost, payable at the time of the Certificate of Sponsorship (CoS) application.○ The charge should be regressive so that those employers hiring more highly paid (and by inference more highly skilled) migrants are penalised less in proportion to the salary paid. An amount of £1,000 per year is large enough to raise a reasonable amount of revenue and to have a significant impact on employer behaviour.○ The charge should be applied across all Tier 2 routes – namely (Tier 2 General) and Tier 2 (Intra-company Transfer) routes. The only exemptions would be the ‘Graduate Trainee’ and ‘Skills Transfer’ routes within the Tier 2 (Intra-company Transfer) route.○ The revenue should be spent to raise human capital (not limited to apprenticeships).
Restrictions to Tier 2 (General)	<ul style="list-style-type: none">• Tier 2 (General) should not be restricted to a list of genuine skills shortages and highly specialist experts.• Graduates recruited onto a graduate scheme could be given additional points when the 20,700 limit is reached to reflect the potential for future high growth in earnings. For example, by adding £7,000 (the difference between new entrants and experienced workers thresholds) when prioritising.• All in-country switchers should be subject to the Resident Labour Market Test (RLMT) and included in an expanded annual Tier 2 limit.• There should not be a blanket sunset clause applied to the shortage occupation list (SOL). Regular reviews of the SOL should be an effective mechanism for testing whether occupations are still in shortage. Industry will be required to submit more comprehensive evidence on what they are doing to resolve the shortage lest in order to be retained on the SOL.

Table 1: Tier 2 report recommendations

Restrictions to Tier 2 (Intra-Company Transfers)	<p>All Tier 2 (Intra-company Transfers)</p> <ul style="list-style-type: none"> • The required amount of prior experience with the employer should increase from 12 months to two years, except for the graduate trainee route and skills transfers route where the current requirements (6 months' experience) should be maintained. • CoS application forms should include a description for why the intra-company transferee is required, and the specific skills they have. • The Home Office and HMRC should look into the issue of allowances and payment of national insurance contributions as this may be allowing undercutting. • All intra-company transferees should be required to pay the Immigration Healthcare surcharge. <p>Third-party contracting</p> <ul style="list-style-type: none"> • A separate route should be created for third-party contracting. • The salary threshold for short-term third-party contracting should be increased to £41,500 (the currently threshold for all long-term intra-company transfers, and also a proxy for senior managers and specialists). • There should be a thorough review of skills shortages within the IT sector, after which the Government may wish to revisit this issue.
Restrictions to Tier 2 Dependants	<ul style="list-style-type: none"> • No restrictions should be applied to dependants' right to work.

In response to the MAC's Tier 2 report, the Government announced, in a written Ministerial statement on 24 March 2016 that it accepts the majority of the MAC's recommendations. The major point of divergence being the Government's decision not to institute a separate route for intra-company transfer third-party contracting. The intra-company transfer provisions will be streamlined and simplified to provide a route for senior managers and specialists and there will be a single visa category with a minimum salary threshold of £41,500, with the exception of the Graduate Trainee category. The Skills Transfer and Short Term categories will be closed. All intra-company transferees will be required to pay the Immigration Health Surcharge and the Government will review the extent to which allowances may be counted towards salaries. The Government will consider how to take forward the MAC's proposal to review skills in the IT sector.

The Government has announced that it will also increase the minimum Tier 2 salary threshold for experienced workers to £30,000 with some exceptions. There will be no change to the right of dependants to work and no automatic removal of jobs from the SOL. An Immigration Skills Charge will be introduced at £1,000 per migrant per year.

Partial review of the Shortage Occupation List: Review of nursing (Published March 2016)

On 15 October 2015, the Home Secretary added nurses to the SOL on an interim basis to ensure that there were safe staffing levels across the National Health Service (NHS) during a time of reported extensive nursing shortages. The Home Secretary then wrote to the MAC commissioning it to examine whether there was indeed a shortage of nurses or specific nursing job titles which it would be sensible to fill through non-European Economic Area (EEA) migration.

In her October 2015 letter commissioning the MAC, the Home Secretary said:

“I am conscious that the MAC considered the issue of nursing shortages in the health sector in your partial review of shortage occupations published in February this year and that you recommended against adding nurses to the shortage occupation list, as well as removal of certain specialist nursing roles. I regret asking you to look at this again so soon.

“I understand that your recommendation in February was based on the evidence available at the time, including detailed submissions from the Centre for Workforce Intelligence on behalf of the Department for Health and from the Royal College of Nursing and other health sector organisations. However, since then increasing numbers of NHS Trusts and other interested organisations have raised concerns about nurse staffing levels, highlighting recent changes to recommended safe staffing levels within the NHS. In addition, developments since February include the Government’s manifesto pledge to deliver a seven-day NHS and new rules to clamp down on the use of agency staff. I am advised that nursing vacancy rates may be as high as 10% across the health and social care sector, which if so would be twice the maximum level recommended by NICE. It is not for the Home Office to judge these representations and I should therefore be grateful if the MAC could consider the latest evidence.”

The MAC was asked to submit its report to the Government by 15 February 2016, subsequently extended to the end of February.

The MAC issued a call for evidence on 3 November 2015, which ran until 31 December 2015. 59 written submissions of evidence were received from organisations from around the UK. The MAC also reviewed the evidence it received in preparing its February 2015 report as well as the information it received in response to the publication of this report plus relevant evidence the MAC received during its review of Tier 2 during 2015

The MAC held 16 separate meetings with various organisations from the healthcare sector. In addition, the MAC hosted two open forums in London and held telephone conferences with a number of trusts from around the UK. The Chair of the MAC wrote an article that was published in the Nursing Times informing nurses of the review and inviting them to provide evidence.

In November 2015, the MAC commissioned the Institute for Employment Studies to conduct research into the labour market for nurses in the UK and its relationship to the demand for, and supply of, foreign-born nurses in the UK. The research findings fed into the MAC's overall assessment of nursing shortages. The final research report was published in July 2016.

Although the data and evidence were far from perfect, the MAC found that there was a shortage of nurses in the UK. However, the MAC found that the shortage of nurses was largely of the health, care and independent sectors' own making. The MAC concluded that the sectors had failed to train enough nurses or failed to make provision to train their own nurses should the supply of publicly funded nurses fail. The MAC said that the health, care and independent sectors' had taken either no or insufficient account of the needs of other sectors when making their planning assumptions. The MAC concluded that pay restraint and complex institutional structures in the NHS had been key factors behind the shortage of nurses. This had blurred the decision-making process and had led, amongst other things, to poor information and data making it difficult for them (and the MAC) to understand and respond meaningfully to labour shortages. The MAC said the sectors had not learnt the lessons from the late 1990s and early 2000s when a similar shortage (and reliance on foreign nurses) had occurred.

The MAC found that none of the alternatives to remedy the situation were quick fixes. Therefore, with some reluctance, the MAC believed it was sensible in the short-term to retain nurses on the SOL and recommended this accordingly. In addition, the MAC suggested that the Government may wish to monitor the allocation of certificates of sponsorship in relation to nurses and to consider whether to have a monthly or an annual limit specifically for the occupation. The MAC suggested an overall annual ceiling for nurses of 3,000-5,000 places in the first year. The MAC also suggested that the Government may wish to consider whether, in the context of nurses, a resident labour market test should be applied to migrant nurses.

The Government agreed to retain nurses on the SOL and to introduce a requirement for a resident labour market test but decided against an annual ceiling.

Other work

i) Parliamentary engagement

On 20 October 2015, the Chair of the MAC and the Head of the Secretariat gave evidence to the House of Commons Home Affairs Committee as part of that Committee's inquiry into skill shortages and immigration. A transcript of the evidence is available here <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/home-affairs-committee/immigration-skill-shortages/oral/23370.html>.

In March 2016, the MAC was represented at a meeting of the All-Party Parliamentary Group on Migration.

ii) MAC Shortage Methodology

The MAC is a unique body that receives much interest from other countries and international organisations who seek to learn from the MAC's experience and knowledge. The MAC's expertise in assessing labour market shortages is particularly sought after. Over the reporting year, MAC members have continued to share its best practice with overseas governments on the MAC's approach to providing evidence-based advice on migration policy. Members of the Committee and secretariat met with and advised representatives from governments in Mexico and Malaysia, projects that are operated and funded under the auspices of the World Bank.

Additionally during the reporting period, MAC members received delegations of representatives from countries including Moldova, South Africa, South Korea and Singapore to share knowledge and best practice in relation to its methodology on skill shortages.

The secretariat also presented internationally on the MAC's shortage methodology, participating in an expert seminar on assessing labour market shortage hosted by the Organisation for Economic Co-operation and Development (OECD) in Paris, and participating in an International Organisation for Migration workshop in Baku, Azerbaijan.

iii) Broader engagement

The Secretariat maintains close links with the Migration Division at the Organisation for Economic Co-operation and Development (OECD), and provides the UK delegates to the OECD's Working Party on Migration. This year, Tim Harrison, the Head of the MAC Secretariat, was elected as UK representative onto the Bureau of the Working Party on Migration. The Bureau and the Working Party provide direction and input into the work of the OECD on migration issues.

Members of the secretariat have been invited to participate in and present at a number of international conferences and workshops. These include:

- an Immigration Working Group on Immigration into the Future, hosted by the Intergovernmental Consultations on Migration, Asylum and Refugees (IGC) (Geneva, September 2015);
- a conference on the labour market integration of Syrian refugees in Turkey organised by the World Bank (Ankara, December 2015);
- an expert workshop on the EU Blue Card hosted by Migration Policy Institute and the European Commission (Brussels, January 2016); and
- a conference on Asian migration policy, jointly hosted by the OECD, the International Labour Organisation and the Asian Development Bank Institute (Tokyo, March 2016).

Budget and expenditure

The MAC's 2015-16 budget covered the secretariat administrative costs for 11 staffing posts, Committee members' fees (per diem rates and travel costs) and

external research. The budget is set by the Home Office and is managed by the MAC secretariat.

The overall budget for 2015-16 was £805,568. Of this £737,461 was pay-related (secretariat and Chair salaries, plus Committee member fees) and £68,107 was non-pay (Table 2). An amount of £62,900 was set aside for Committee members' fees, of which approximately £42,000 was for the Chair, who is paid for two days' work per week. MAC members are expected to work two days a month on MAC business at a rate of £275 per day.

The majority of the non-pay budget (£50,000) was allocated to the MAC's research programme of which £38,579 was spent. More information about the MAC's research programme and expenditure is provided in the section below.

Table 2: 2015-16 Budget and Expenditure

	Budget (£)	Expenditure (£)	Difference (£)
Pay	737,461	743,127	5,666
Secretariat salaries	674,561	680,487	5,926
Chair salary	42,000	42,000	-
Committee members' fees	20,900	20,640	260
Non-pay	68,107	69,733	1,626
Travel and subsistence	9,745	8,097	1,648
Research	50,000	38,579	11,421
Staff training	689	999	310
Other Misc. costs	7,673	22,058	14,385
Grand Total	805,568	812,860	7,292

Notes to the accounts:

The overspend on other misc. costs was due to a one-off Home Office central expenditure for changes in IT hardware.

Research programme

The MAC commissions research from external consultancies or academics on an annual basis. Research is procured according to Home Office Science guidelines and tenders are evaluated by a panel of labour market experts and economists. The research commissioned must meet at least one of the following two objectives:

- **Relevance to Committee work:** Does the research have relevance to existing commissions or anticipated commissions?
- **Improving the relevant knowledge base:** Would research fill gaps in the literature or obtain data or information that would not otherwise be available in relation to material that is of relevance to the MAC's work?

Research published in 2015-16

During 2015-16, the MAC published one external research project to evaluate existing migration forecasting methods and models. This project was awarded to Southampton University. The aim of the research was to examine and assess the various analytical approaches to modelling migration flows and to evaluate their explanatory power in explaining past and potentially future migration flows. This research was published in October 2015 and is on the MAC web site [here](#)¹.

Research commissioned in 2015-16

In the last financial year we externally commissioned one research project to examine the labour market for nurses in the UK and its relationship to the demand for, and supply of, foreign-born nurses in the NHS.

This project was awarded to the Institute for Employment Studies (IES) in November 2015 at a cost of £24,265 (excluding VAT). The research aimed to examine and explain the variation in the recruitment of non-EEA nurses at a trust level in the NHS in England and add to the evidence base for the MAC's review of nursing shortages. As part of this, the research team interviewed a number of trusts and health related organisations. Furthermore, the IES used various analytical modelling techniques to evaluate how the demand for non-EEA nurses in the NHS is influenced by factors such as: trust characteristics; work place practice; demographics and local labour market characteristics. This research was published in July 2016 and is available [here](#)².

¹ <https://www.gov.uk/government/publications/evaluation-of-existing-migration-forecasting-methods-and-models>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535657/The_labour_market_for_nurses_in_the_UK.pdf

Appendix 1: Profiles of the Migration Advisory Committee

Chair

Professor Sir David Metcalf CBE

Professor Sir David Metcalf is Emeritus Professor at the Centre for Economic Performance at the London School of Economics and has been a visiting professor at Princeton University and the Australian National University.

He has been Chair of the Migration Advisory Committee (MAC) since its establishment in 2007. Sir David was a member of the Low Pay Commission (LPC) from its formation in 1997 until 2007. He was a member of the Senior Salaries Review Body from 2009 – 2015.

He was awarded the CBE in the 2008 New Year Honours list and a Knighthood in the 2013 Birthday Honours for services to Immigration.

Appointed August 2007 to August 2010

Reappointed August 2010 to August 2013

Reappointed August 2013 to August 2016

Members

Professor Alan Manning

Alan Manning is professor of economics at the London School of Economics and is director of the Centre for Economic Performance's research programme on Community. From 2009 to 2012 he was Head of the Economics department at LSE and from 2004 to 2011 he was a member of the NHS Pay Review Body. His expertise is on labour markets, including but not confined to the impact of migration.

Appointed March 2015 to March 2018

Dr Jennifer C. Smith

Dr Jennifer C. Smith is Associate Professor in the Economics Department at Warwick University and Associate Researcher at the Centre for Competitive Advantage in the Global Economy (CAGE). Her research focuses on UK labour market dynamics. Her past work has looked at wage setting, local labour markets, pay comparisons, job satisfaction, nominal and real wage rigidity, unions, unemployment, and labour market mismatch. Jennifer is a Regular Academic Visitor at the Bank of England, having previously acted as Academic Consultant to the Bank on wage rigidity. Before moving to Warwick University, Jennifer worked for 5 years as a Bank of England economist, having previously lectured at Queen's University, Canada, and studied at the Universities of Oxford and Cambridge.

Appointed November 2012 to November 2015

Reappointed December 2015 to November 2018

Professor Jonathan Wadsworth

Professor Jonathan Wadsworth of the Economics Department at Royal Holloway College, University of London has accumulated over 20 years' experience of academic-related work on labour market issues after studying first at the University of Hull and then at the London School of Economics.

His main area of interest is applied labour economics, focusing on issues of immigration, inequality, unemployment compensation schemes, job search, labour mobility, job tenure, wages, unions, health, economic inactivity and labour markets in Eastern Europe.

Professor Wadsworth co-developed the concept of workless households and its measurement and is the co-editor of The State of Working Britain volumes, a publication aimed at academics and policy makers, which highlights and comments on significant developments in the labour market.

Appointed November 2007 to November 2010

Reappointed November 2010 to November 2013

Reappointed November 2013 to November 2014

Reappointed November 2014 to November 2015

Professor Jackline Wahba

Jackline Wahba is Professor of Economics at the University of Southampton. She has vast experience of academic-related work on international migration and labour market issues. She leads the migration research in the ESRC Centre for Population Change at the University of Southampton. Her main areas of research are in applied labour economics and international migration in particular. Her work on return migration was one of the first to highlight the positive impact of temporary migration on entrepreneurship in the home country. She has wide experience in the impact of international migration, the determinants of return migration and the labour market experience of immigrants in host countries.

She has advised various national governments and international organisations including the World Bank, the Organisation for Economic Co-operation and Development (OECD), the International Labour Organisation (ILO), the International Organisation for Migration (IOM), the European Training Foundation (ETF) and the European Commission (EC).

Appointed November 2012 to November 2015

Reappointed December 2015 to November 2018

Madeleine Sumption

Madeleine is the Director of the Migration Observatory, with particular expertise in visa policy and the role of migrants in the labour market. Her research interests include labour migration, the economic impacts of migration policies, and immigrant integration. She has also done comparative research on government policies towards immigrant investors, illegal employment, immigration in trade agreements, and the recognition of foreign qualifications. Before joining the Observatory, Madeleine was Director of Research for the international program at the Migration Policy Institute in Washington, DC.

Appointed

July 2016 to July 2019

Appendix 2: Migration Advisory Committee reports and publications (in reverse chronological order)

All reports are published on the MAC's website and can be accessed at www.gov.uk/government/organisations/migration-advisory-committee

2016

Partial review of the shortage occupation list: Review of nursing (March 2016)
Available [here](#)

2015

Review of Tier 2 migration - Balancing migrant selectivity, investment in skills and impacts on UK productivity and competitiveness (December 2015) Available [here](#)

Review of Tier 2 Entrepreneur and Graduate Entrepreneur routes (October 2015)
Available [here](#)

Review of Tier 2 minimum salary thresholds (August 2015) Available [here](#)

Partial review of the shortage occupation lists for the UK and Scotland (February 2015) Available [here](#)

2014

Migrants in low-skilled work: the growth of EU and non-EU labour in low-skilled jobs and its impact on the UK - full report (July 2014) Available [here](#)

Migrants in low-skilled work: the growth of EU and non-EU labour in low-skilled jobs and its impact on the UK - summary report (July 2014) Available [here](#)

Tier 1 (Investors) route: Investment thresholds and economic benefits (February 2014) Available [here](#)

2013

Migrant Seasonal Workers. The impact on the horticulture and food processing sectors of closing the Seasonal Agricultural Workers Scheme and the Sectors Based Scheme (May 2013) Available [here](#).

Full review of the recommended shortage occupation lists for the UK and Scotland, a sunset clause and the creative occupations (February 2013)
Available [here](#)

2012

Analysis of the Points Based System – List of occupations skilled at NQF level 6 and above and review of the Tier 2 codes of practice (October 2012) Available [here](#)

Limits on Migration – Limit on Tier 2 (General) for 2012-13 and associated policies (28 February 2012) Available [here](#)

Analysis of the Impacts of Migration (January 2012) Available [here](#).

2011

Review of the minimum income requirement for sponsorship under the family migration route (November 2011) Available [here](#)

Review of the transitional restrictions on access of Bulgarian and Romanian nationals to the UK labour market (November 2011) Available [here](#)

Analysis of the Points Based System: Settlement rights of migrants in Tier 1 and Tier 2 (November 2011) Available [here](#)

Fourth review of the recommended shortage occupation lists for the UK and Scotland (September 2011) Available [here](#)

Analysis of the points-based system – revised UK shortage occupation list for Tier 2 comprising jobs skilled to NQF level 4 and above (February 2011) Available [here](#)

Report on analysis of the points-based system – list of occupations skilled to NQF level 4 and above for Tier 2 (February 2011) Available [here](#).

2010

Limits on Tier 1 and Tier 2 for 2011/12 and supporting policies (November 2010) Available [here](#)

Analysis of the Points Based System: London Weighting (August 2010) Available [here](#)

Third review of recommended shortage occupation lists for the UK and Scotland (March 2010) Available [here](#)

Skilled, shortage, sensible: Review of the Methodology (March 2010) Available [here](#)

2009

Second review of recommended shortage occupation lists for the UK and Scotland (October 2009) Available [here](#)

Analysis of Tier 2 and dependants under the Points-Based System (August 2009) Available [here](#)

Analysis of Tier 1 under the Points-Based System (December 2009) Available [here](#)

Review of transitional measures for A8 nationals (April 2009) Available [here](#).

2008

The labour market impact of relaxing restrictions on employment of A2 nationals (December 2008) Available [here](#)

First recommended shortage occupation lists for the United Kingdom and Scotland (September 2008) Available [here](#)

Identifying skilled occupations where migration can sensibly help to fill labour shortages (February 2008) Available [here](#)

MAC Contact details

Any enquires about this Annual Report or any aspect of the MAC's work should be addressed to:

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