



MAC Annual Report

December 2024



MIGRATION ADVISORY COMMITTEE

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Foreword

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. It also suggests that the report contain comment on, and recommendations relating to, any aspect of the immigration system.

We completed two rapid reviews for the previous government in the first half of 2024. The first updated the Immigration Salary List, where we recommended a more restricted list of eligible occupations. The second provided a review of the Graduate Route. The previous government had expressed concern that the route was encouraging students to come to the UK because of the attached work rights rather than because of the quality of the education on offer. Our review concluded that the route was fulfilling the objectives that were set for it in 2021 and so recommended that the route continues in its current form. We also made recommendations to improve the regulation and transparency of agents in the student recruitment process, which we argued would help safeguard the reputation of the UK higher education sector. The previous government accepted our recommendations, and this has been confirmed by the incoming administration.

The Labour government elected in July have already announced a wide-ranging set of immigration policies – on legal migration, returns and the asylum system. We have been commissioned by the Home Secretary to conduct two reviews. First, we are reviewing the financial requirements for family visas. This follows a substantial rise in the minimum income requirement enacted by the previous government as part of their December 2023 package of immigration measures. The Call for Evidence has recently closed for this review, and we have received the largest number of submissions ever recorded by the MAC. We are due to report in June 2025.

The second commission is focused on the use of work immigration routes for IT and Engineering professionals. This is the first of a set of reviews that we expect to conduct to examine sectoral reliance on immigration and the extent to which the immigration system could be better designed to incentivise sectors to focus on recruiting from the domestic workforce. This is part of the broader agenda of the government to more closely link immigration policy with skills policy and the industrial strategy. We will be working collaboratively with Skills England, the Industrial Strategy Council and Department for Work and Pensions to deliver this. The first chapter of this Annual Report examines the use of the work routes for foreign workers over the last few years and the potential link between immigration and skill shortages more broadly across all sectors. The government have stated that the MAC will be asked to provide a yearly assessment to Ministers regarding key sectors' use of the immigration system.

To support this expanded remit for the MAC, the government have enabled additional capacity at both Committee and secretariat levels. From January 2025, the role of Chair will move from a part-time to a full-time position and a new role of Deputy Chair will also come into place.

We are again indebted to stakeholders who have taken the time during the year to assist us with our work, both in response to formal commissions and in on-going engagement and we have also continued our active engagement with the Devolved Governments. Finally, the Committee are grateful to the excellent work that the secretariat has done during the year.

We look forward in the coming year to working with the recently elected government on the development of immigration policies that enhance the welfare of the people of the United Kingdom.

Prof. Brian Bell (Chair)

Prof. Dina Kiwan

Prof. Sergi Pados-Prado

Dr. Madeleine Sumption MBE

Prof. Jo Swaffield

Chapter 1: Linking work immigration and skills: the new government's policy to reduce net migration

Summary

- Net migration between 2021 and 2023 was unusually high, mainly as a result of increased international students and non-European Union (EU) work immigration through the Skilled Worker (SW) route, most noticeably in health and care occupations.
- Since November 2023, Health and Care (H&C) visas have dramatically decreased, likely as a result of changes in how the 'genuine vacancy test' applied to Skilled Worker (SW) visa applications was assessed. The ban on dependants of care workers was implemented from March 2024 and the number of H&C visas issued has continued to decline since then.
- Even with the decrease in H&C visas, the sector remains a main driver of work visa numbers.
- The recent immigration rules changes announced by the previous government are likely to reduce work-related immigration further, although it is too early to know by how much.
- Linking immigration and skills policy is not a 'one-size-fits-all' approach and it is important to consider the individual circumstances within sectors and occupations, including diagnosing whether shortages are genuinely driven by a lack of skills or are due to poor pay and conditions of certain roles.
- Increasing the level of skills in the domestic labour pool does not guarantee a reduction in the reliance on the immigration system as migrant and domestic workers are not perfect substitutes and employers will often still seek the best possible match for their vacancy, which may be an international recruit.
- Therefore, the impact of investment in skills on immigration will vary by sector and occupation.

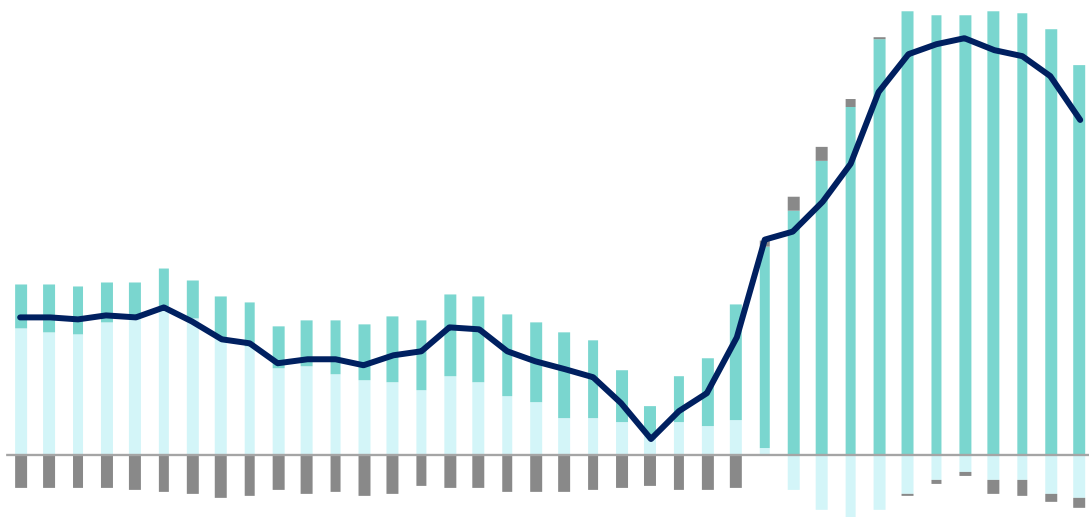
Introduction

In August 2024, the Home Secretary wrote to the MAC to [commission](#) a review of international recruitment in the IT and Engineering sectors, within the context of the government's commitment to bring down high levels of immigration. This chapter complements that ongoing review by taking a broader lens, focusing on the sectors and occupations that are large users of the work visa system. We also discuss the government's ambition to link skills and immigration policy.

Headline immigration statistics

In the recent general election, most major political parties stated that net migration was too high and committed to reducing it. This section explores the net migration picture over time as well as the key drivers behind the sharp rise in recent years. As stated in the MAC's [2023 annual report](#), determining an appropriate net migration level is a political decision and evaluating the impact of the current level of net migration requires detailed analysis.

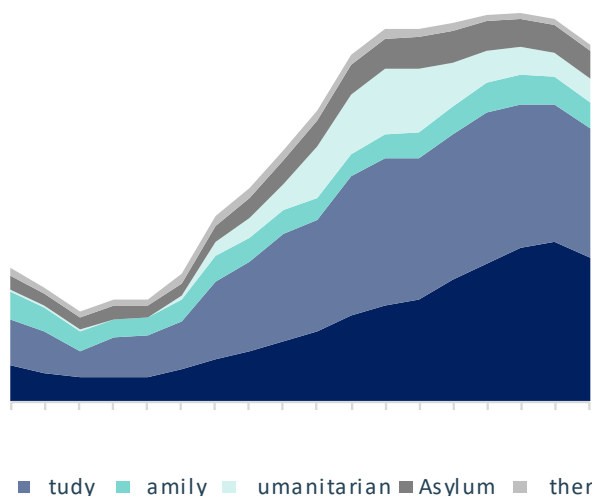
Figure 1.1: Net migration



Source: Office for National Statistics (ONS).
Note: Data year ending (YE) 2015 Q1 - 2024 Q2.

Net migration in recent years has been impacted by a number of external shocks including the war in Ukraine, COVID-19 pandemic, and the UK's exit from the EU. Figure 1.1 above shows that net migration into the UK was unusually high between 2021 and 2023, driven by a significant increase in non-EU immigration. Across the whole period emigration has stayed at a relatively stable level but the composition has changed since the UK left the EU in 2021 and there has been a net movement out of the EU-born population. Figure 1.2 below assesses the reasons behind the recent rise in non-EU immigration.

Figure 1.2a: Reasons for Non-EU Immigration



Source: Office for National Statistics (ONS).
 Note: Data YE 2020 Q1 - 2024 Q2.

Table 1.2b: Growth in Non-EU Immigration

Reason	Share of growth
Work	45%
Study	37%
Asylum	5%
Family	3%
Humanitarian	9%
Other	0%

Source: Office for National Statistics (ONS).
 Note: Data presents the share of growth 2020-2023. Sums may not total 100% due to rounding.

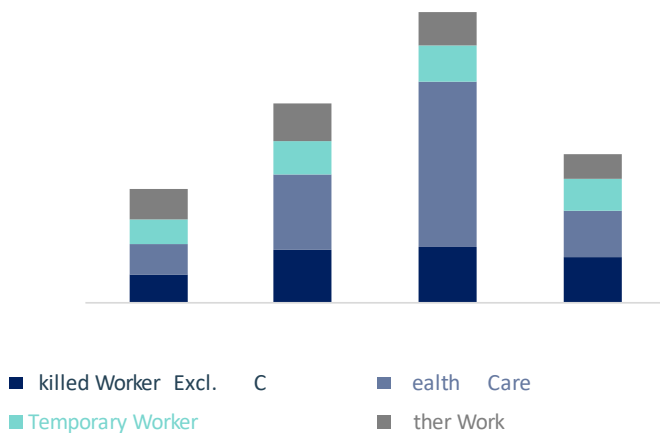
The majority of non-EU immigration is for work or study reasons, with the increase in work-related immigration explaining almost half of the growth in non-EU immigration between 2020 and 2023 (45%). In 2023 over 862,000 people came from non-EU countries for either study or work, including their dependants. Non-EU net migration for work was 380,000 higher in 2023 than 2020 whilst the overall net migration figure was 635,000 higher. Thus, the increase in non-EU work net migration explains a significant proportion of the increase in overall net migration and is therefore likely to be central to government policies focused on reducing net migration.

In the long run, work routes will have a greater impact on net migration compared to study routes as a greater percentage of those on the work route stay in the UK, whilst students are more likely to emigrate when they finish their course. Put simply, whilst students increase net migration in the year they arrive, they will reduce it by the same amount if and when they leave. This is discussed by the [Migration Observatory](#) who estimate that the number of individuals on work visas who stay at least 8 years in the UK is likely to be over double the stay rate of individuals on study visas - 56% compared with 26% (although both are highly uncertain due to changes in policy and migration patterns). It is possible that recent rules changes, and the [Graduate Route](#), change the rates at which students stay in the UK long term. Current high immigration should in theory lead to higher emigration over time as people either return home or migrate elsewhere. In the past, a majority of migrants across work and study visa routes have seen their visa expire and thus are not expected to have stayed in the UK permanently. In summary, long-run net migration depends not just on immigration but also on how long migrants remain in the UK.

Work visas

The following section examines the use of the work visa system by sectors and occupations. Before the UK's exit from the EU in 2021 most work-related immigration happened under Freedom of Movement. The introduction of the Points-Based immigration system in 2021 meant that EU citizens, like non-EU citizens previously, now required a visa for work-related immigration. Figure 1.3 below shows the total number of work visas granted since the UK's EU exit. The split of dependants to main applicants is shown in Table 1.4 and is an important consideration when reviewing visa routes as dependants have differing fiscal implications (something we discuss in more detail in Chapter 2 of this report) and partners have the right to work in any job.

Figure 1.3a: Work visas issued



Source: Home Office immigration statistics.

Note: Work visas issued Q1 2021- Q3 2024, by visa type. 2024 consists of only the first 3 quarters of the year. Visa grants presented are for both main applicant and dependants.

Table 1.3b: Type of Work visas issued

Reason	2021	2022	2023	2024 Q1-Q3
Skilled Worker (excl. H&C)	25%	27%	19%	31%
Health and Care	26%	37%	57%	31%
Temporary Worker	23%	17%	13%	22%
Other work	26%	19%	12%	16%

Source: Home Office immigration statistics.

Note: Breakdown of work visa grants by visa type per year. 2024 only presents the first 3 quarters of data, totals may not sum to 100% due to rounding. Visa grants presented are for both main applicant and dependants.

The introduction of the post-Brexit visa routes coincided with the recent high levels of net migration identified above. The SW route (including the H&C route) had the most grants in this period, rising from around 120,000 in 2021 to 465,000 in 2023 and accounting for over 75% of all work visas. Data for the first half of 2024 suggests that whilst the H&C visa still makes up a large proportion of work visas, the share has decreased significantly. As discussed later, this is likely as a result of UKVI applying the 'genuine vacancy test' through an increased understanding of how adult social care is commissioned throughout the UK. When assessing a [genuine vacancy](#), the Home Office considers whether the role being applied for is appropriate to the business in light of its business model, business plan and scale, that the role is eligible under the skills and salary levels

set out in the rules and that the organisation can offer guaranteed hours to a worker in accordance with the sponsor guidance.

Table 1.4 below shows how the number of dependants per main applicant varies depending on the work route. Across the period there has been an increase in the number of dependants per applicant for the SW route whilst temporary routes have remained consistently low. This is because few of the temporary routes allow dependants. The Health and Care route had the highest dependant ratio, although this will change given the recent implementation of the ban on care worker dependants in March 2024. It is relatively common for main applicants to move first and have their family join later, so there may be a lag when comparing main applicant and dependant numbers.

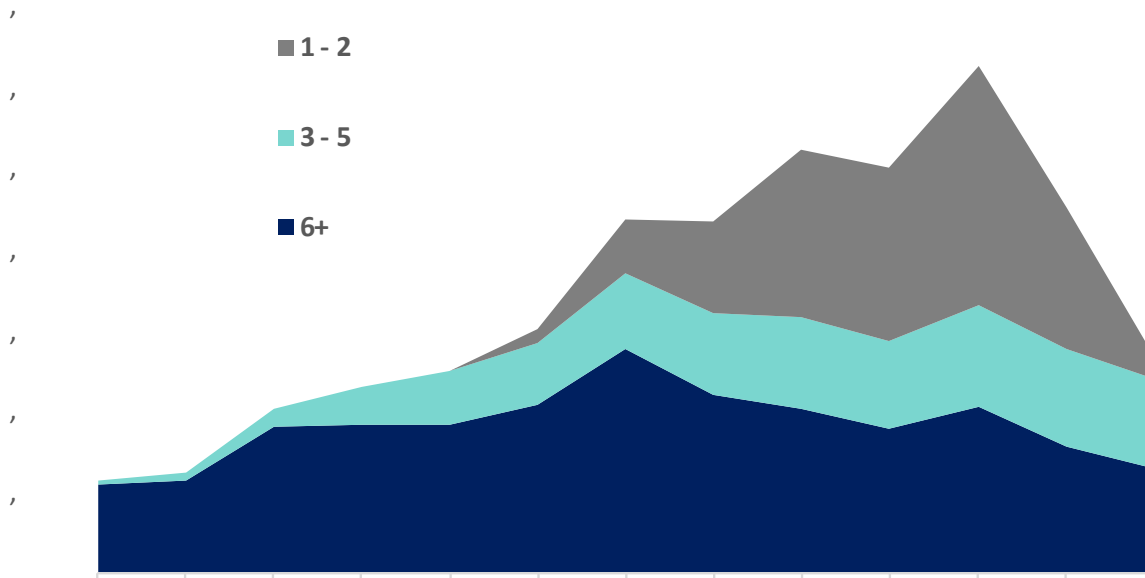
Table 1.4: Dependants per main applicant

Reason	2021	2022	2023
Skilled Worker (excl. H&C)	0.67	0.70	0.79
Health and Care	0.99	1.05	1.39
Temporary Worker	0.04	0.03	0.03
Other work	0.42	0.47	0.42

Source: Home Office immigration statistics.

The SW route is the work route that has the largest impact on net migration, not only because it accounts for over 75% of work visas, but also due to the temporary nature of other work visa routes such as the [Seasonal Worker scheme](#) and [Global Mobility route](#).

Figure 1.5: Skilled Worker visas by skill level



Source: Home Office immigration statistics.

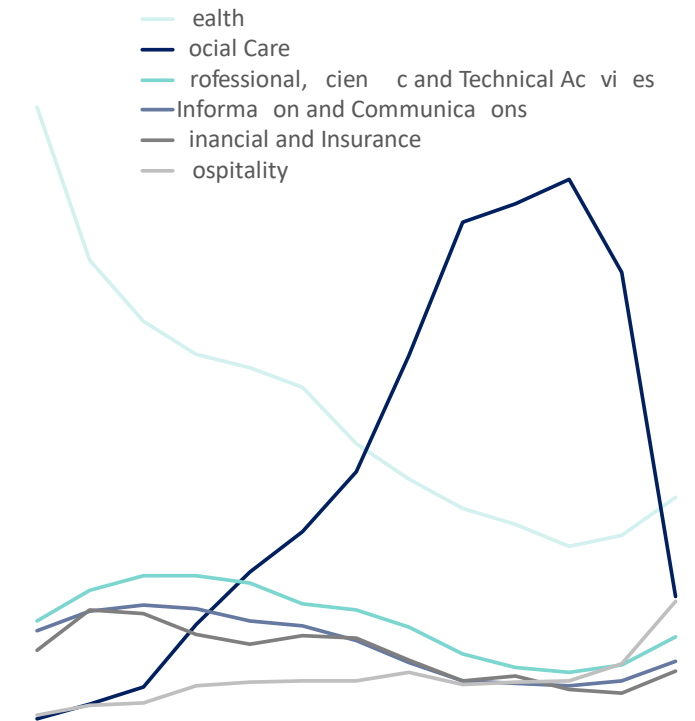
Note: Data presented for 2021-2024 Q1, total visas issued. Dependants are not included within this graph.

The SW route defines skills through Regulated Qualifications Framework (RQF) levels, and Figure 1.5 above shows the breakdown of visas on the route by RQF level. Of all Skilled Worker visas (including Health and Care) issued across the entire time series (2021-2024 Q1), 25% were at RQF level 1-2, 22% at RQF level 3-5 and 53% at RQF level 6 and above. The visa numbers for graduate-level jobs (RQF 6+) have largely stayed consistent across time, with a yearly average of around 74,000 between 2021-2023. Contrastingly, a consequence of the rise in H&C visas being granted is that the share of lower-paid work immigration into the UK has increased. In 2021 the SW route was not open to individuals working in RQF 1-2 occupations, with minimal or no educational requirement. Following advice in the MAC's [2021 annual report](#), care workers were made eligible for the SW visa and added to the Shortage Occupation List (SOL), although other MAC recommendations such as significantly increasing the pay of care workers, were not adopted. As a result, care worker visa grants (excluding senior care workers) have been significant, peaking at 47% of all SW visas in the third quarter of 2023 and it remains the only RQF 1-2 occupation eligible for the SW visa. Senior care workers made up an additional 7% of SW visas at this point, meaning care contributed to over half of all SW visas during the third quarter of 2023.

Analysing certificate of sponsorship data for 2023, 14% of SW visa holders worked in the public sector, with the majority of those working in the health sector. Separately, around 46% worked within the private but largely publicly funded care sector, and the remaining 40% worked in other parts of the private sector. This is

important to differentiate, as employers in the care sector have complex financing structures that are significantly funded by the taxpayer via local authorities, even though the majority of firms are private for-profit enterprises. The government is therefore directly or indirectly involved in a large share of work immigration, when considering both care workers and public sector employees.

Figure 1.6a: Share of Skilled Worker visas across top sectors



Source: Home Office immigration statistics. Data up to 2024 Q1.
 Note: Quarterly visas issued in selected top sectors as a share of all sectors, 2021-2024 Q1. Dependants are not included within this graph, see Table 1.4 for an indication of dependant numbers per main applicant.

Table 1.6b: Skilled Worker visas by top sectors

Sector	Total Visas Granted	Share
Health and Social Care	257,000	58%
<i>Of which Health</i>	113,000	25%
<i>Of which Social Care</i>	144,000	32%
Professional, Scientific and Technical Activities	38,000	9%
Information and Communications	28,000	6%
Financial and Insurance	25,000	6%
Hospitality	19,000	4%
Other	78,000	17%

Source: Home Office immigration statistics.
 Notes: Total visas issued, 2021-2024 Q1. Visas issued in selected top sectors as a share of top sectors. Column does not sum to 100% as data includes breakdown of Health and Social Care.

Figure 1.6 above breaks down SW visas by industry over time, with the social care sector as a clear outlier. Figures 1.5 and 1.6 show that there has been a distinct increase in visas for occupations with low qualification requirements; care workers rather than doctors. This has important implications for policymakers in that there will be people in the domestic workforce already qualified to undertake these roles. There was a relative increase across the hospitality sector to 12% as of 2024 Q1, whilst the other top sectors have remained at a broadly consistent level in terms of shares of visas over time. These observations hold even when adjusting for employment within the sector. However, the shares are likely to change due to the policy changes implemented in 2024, including higher salary thresholds which should substantially affect recruitment of visa holders in lower-paying sectors such as hospitality.

Table 1.7: Skilled Worker visas by occupation and sector

Rank	Health	Social Care	Professional, Scientific and Technical Activities	Information and Communications	Finance and Insurance	Hospitality
1	Nurses 62%	Care workers and home carers 75%	Chartered and certified accountants 14%	Programmers and software development professionals 34%	Finance and investment analysts and advisers 25%	Chefs 54%
2	Medical Practitioners 22%	Senior care workers 25%	Management consultants and business analysts 13%	IT business analysts, architects and systems designers 15%	Management consultants and business analysts 14%	Restaurant and catering establishment managers and proprietors 14%
3	Nursing auxiliaries and assistants 4%	-	Programmers and software development professionals 9%	Information technology and telecommunications professionals n.e.c. 6%	Programmers and software development professionals 14%	Catering and bar managers 11%

Source: Home Office immigration statistics.

Note: This table presents the top 3 Skilled Worker (SW) visa occupations as a proportion of total SW migration within each sector. Data is for 2021-2023, total visas issued. Dependants are not included within this Table. n.e.c. stands for 'not elsewhere classified'.

Table 1.7 takes the 5 sectors (but splitting Health and Social Care) with the highest visa usage between 2021 and 2023 and shows the 3 occupations within each of these which used the most visas. For nearly all these sectors, 3 occupations make up more than half of their total visa usage. It is also important to note that there are some occupations which are high users but not included in Table 1.7 as they have a broader spread across sectors, or they work in otherwise relatively low visa-using sectors. For example, Natural and Social Science professionals had around 7,000 visas issued, mainly within the education sector.

Rules changes

In response to record increases in immigration, the previous government [announced](#) a package of changes to the immigration rules aimed at reducing net migration. The then Home Secretary set out in December 2023 a

target to reduce immigration by 300,000 in the next year, focusing mainly on the SW visa and health and care sector.

Key changes to the rules introduced in April 2024 include:

- The salary threshold on the SW visa was increased from £26,200 and is now set at £38,700, except for H&C visas which have a threshold of £29,000;
- For applicable occupations, including in [healthcare](#) and [education](#), national pay scales are used to set the occupation specific going rate and have a threshold of £23,200 meaning in practice many H&C visas are not required to meet the £29,000 threshold;
- The Shortage Occupation List (SOL) was renamed the Immigration Salary List (ISL). Occupations on this list still receive a 20% discount compared to the general salary threshold (£30,960). However, the going rate discount (which allowed sponsors to pay below the 25th percentile of pay for an occupation) has been removed;
- The occupation-specific going rate was increased from the 25th to the 50th percentile for all non-H&C occupations, including higher-paid occupations not affected by the general salary threshold.

Other changes include:

- New restrictions from March 2024 on the H&C visa preventing care and senior care workers from bringing dependants to the UK. Sponsor licence holders in the care sector are now also required to be Care Quality Commission regulated; and,
- An increase to the Immigration Health Surcharge which was raised in February 2024 from £624 to £1,035 for adult migrants.

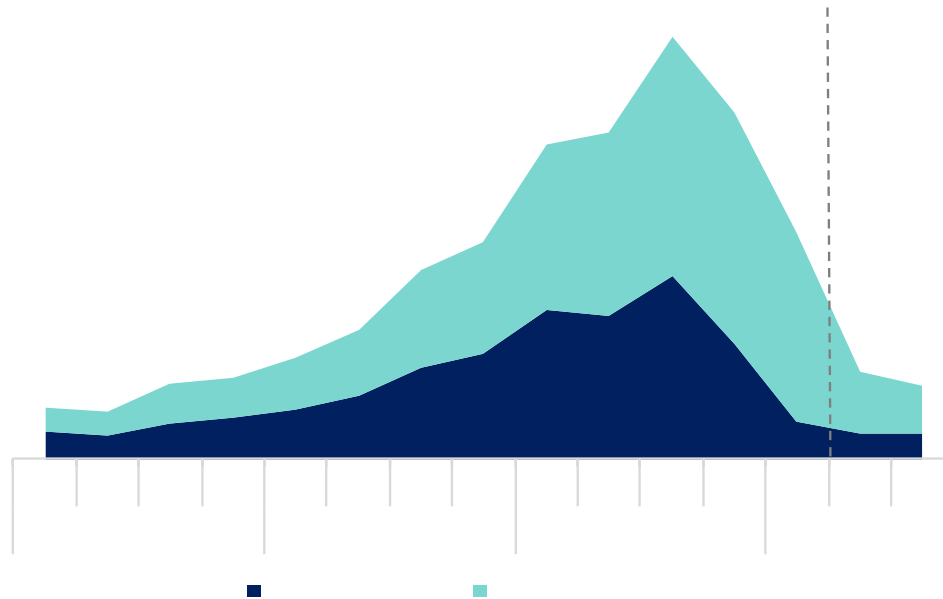
As the MAC outlined in its [2023 annual report](#), the rules changes will likely have an impact on net migration and the monthly figures for [entry clearance work visas](#) provide a clear indication that rates of immigration to the UK for work are starting to come down. However, it is unclear that this was a direct result of these policy changes and instead may be due to a wider set of factors which impact the flow of immigration to the UK.

On the H&C visa especially, it is clear that the rules changes are not the main explanations for the observed decrease in visa grants. The number of visa users on this route started decreasing prior to the restriction on care workers' dependants (Figure 1.8) and other rules changes. Furthermore, main applicant numbers for nurses decreased by 54% in the first 3 months of 2024 compared to the same period in 2023, even though this occupation is not subject to the dependant ban introduced for care workers. The enhanced understanding of the care sector by UKVI when applying the genuine vacancy test — which began in late 2023 — is likely to particularly impact the care industry as it became more apparent that the workforce commissioning model in this sector can be incompatible with the genuine vacancy requirements within the Skilled Worker route. Increased understanding within UKVI led to an awareness that the common framework agreements presented by sponsors with various local authorities offered no actual guarantee of work.

Common recruitment practise whereby sponsor licence holders will advertise for vacancies in the expectation of securing local authority contracts, which even when awarded contain no guarantee of work being offered, have resulted in oversaturation of international recruitment in the sector and failure to provide full working

hours. The late award of local authority contracts makes it hard for sponsor holders to predict, and demonstrate to the Home Office, the demand for care workers and can result in sponsor holders accepting lower margin contracts in order to provide working hours for their staff. Flexible working practises and unguaranteed working hours are incompatible with the requirements of the route, and in turn this makes it difficult for providers to satisfy UKVI there are genuine vacancies available.

Figure 1.8: Health and Care visas



Source: Home Office immigration statistics.

Notes: Data is for 2021-2024 Q3, total visas issued. Dependents are not included within this graph.

The impact of the decline in H&C visas is not straightforward to analyse. For example, we cannot assume that the unusually high numbers in 2023 were a normal level of care migration and that reductions will have negative impacts on the sector. Indeed, there is some evidence that the numbers were higher than they should have been, with some workers being sponsored by organisations which did not have sufficient work for them (although the scale of this phenomenon is not known). In addition, it is possible that numbers in 2022 and 2023 were unusually high due to pent-up demand in the sector after the visa route was opened. Despite the decline in visas, care migration is still substantial.

If the government want a functioning health and care sector, with lower reliance on immigration, more still needs to be done to fill roles domestically through increased funding to improve pay and conditions. This important trade-off must be considered when designing migration policy and a point we have repeatedly made. We welcome the proposed establishment of an Adult Social Care Negotiating Body which can provide proposals over the pay and conditions for social care workers in England. This is an important step in implementing our long-standing recommendation regarding care worker pay, though the funding of any such proposals is unclear at this stage.

Skills and work migration

The new government have made clear their view that current high levels of work-related immigration are linked to a lack of domestic investment in skills within key sectors, and that it is their intention to more [closely link migration and skills policy](#). Therefore, it is important to consider the link between skills and immigration levels. The MAC have been [commissioned](#) to review the IT and Engineering professions initially, which have both been recognised as relatively high-use sectors by the government.

Skills and immigration interactions – in theory

Employers often argue that it is skills shortages that lead them to recruit using the immigration system. If this were true, the policy implication is that if the government were to reduce domestic skills shortages, work immigration would fall. In reality, it is more complex. ‘Skills’ is an ambiguous term both conceptually and empirically. When looking at labour market data, occupations are often considered either ‘high’ or ‘low’ skilled largely based on the qualifications required to do the work (see Figure 1.5 for an example). This results in certain occupations such as waiters and farm workers being defined as ‘low-skilled’ on the basis of qualifications, even though in reality they require different skills that someone with a PhD may not possess. In this instance, terms such as ‘low educational/training requirement’ may be more appropriate. It is important to be specific about the skills one is referring to, as this has implications for how to measure skills and whose responsibility it may be to boost them. Employers may quite reasonably argue that the government should ensure its population have basic literacy and numeracy skills, whilst governments could expect employers to fund the development of industry or firm-specific skills. For example, train drivers, scaffolders and hairdressers all require highly specific occupational skills but do not have significant formal educational requirements and it is therefore likely that employers will often fund the development of these required skills.

Let us assume that a given set of skills is in high demand, and employers find it difficult to recruit as many workers as they need with those skills. Labour market theory suggests that employers may respond in one or more of several ways: increasing wages to attract workers from the limited pool of people with the desired skills; investing in developing those skills themselves; reducing their ambitions for growth in the goods or services they produce; or recruiting migrant workers from the substantially bigger global labour pool. Investments in skills can take a long time, which makes that strategy more feasible in the long run than the short run. This suggests that, again according to the simple model, policy interventions to increase the supply of skills in the domestic workforce will increase employment of UK-born skilled workers and could reduce demand for overseas recruitment, while enabling skill-intensive industries to grow.

In practice things are likely to be more complicated than this, for several reasons. First, the supply of migrant workers wanting to work in the UK is not purely a response to demand from UK employers. Skilled workers from overseas will have their own reasons for applying to jobs in the UK, regardless of whether there are shortages. The number wanting to do this will also vary over time, depending on factors such as networks in the UK, whether they have previously lived or studied in the UK, or information available about potential roles.

Second, employers do not necessarily make a deliberate choice to recruit either domestically or from overseas. Many will simply post job vacancies and assess who is in the applicant pool—including any domestic and migrant workers who offer their labour. Employers may seek the person who is the best fit for the job

from across the world. This does not mean the skills do not exist within the domestic population but that employers may want to be able to recruit using the global labour market to obtain the most productive match.

Third, migrant and domestic labour are not perfect substitutes. They are differentiated for various reasons including cost (such as visa fees or wage demands), skills and experience.

Finally, labour demand and supply do not operate independently. Employers look for what they think they can get, and employees try to match what employers want. It may be that the availability of a differentiated migrant labour supply will always lead to employers recruiting internationally to some extent rather than choosing to rely on the domestic workforce.

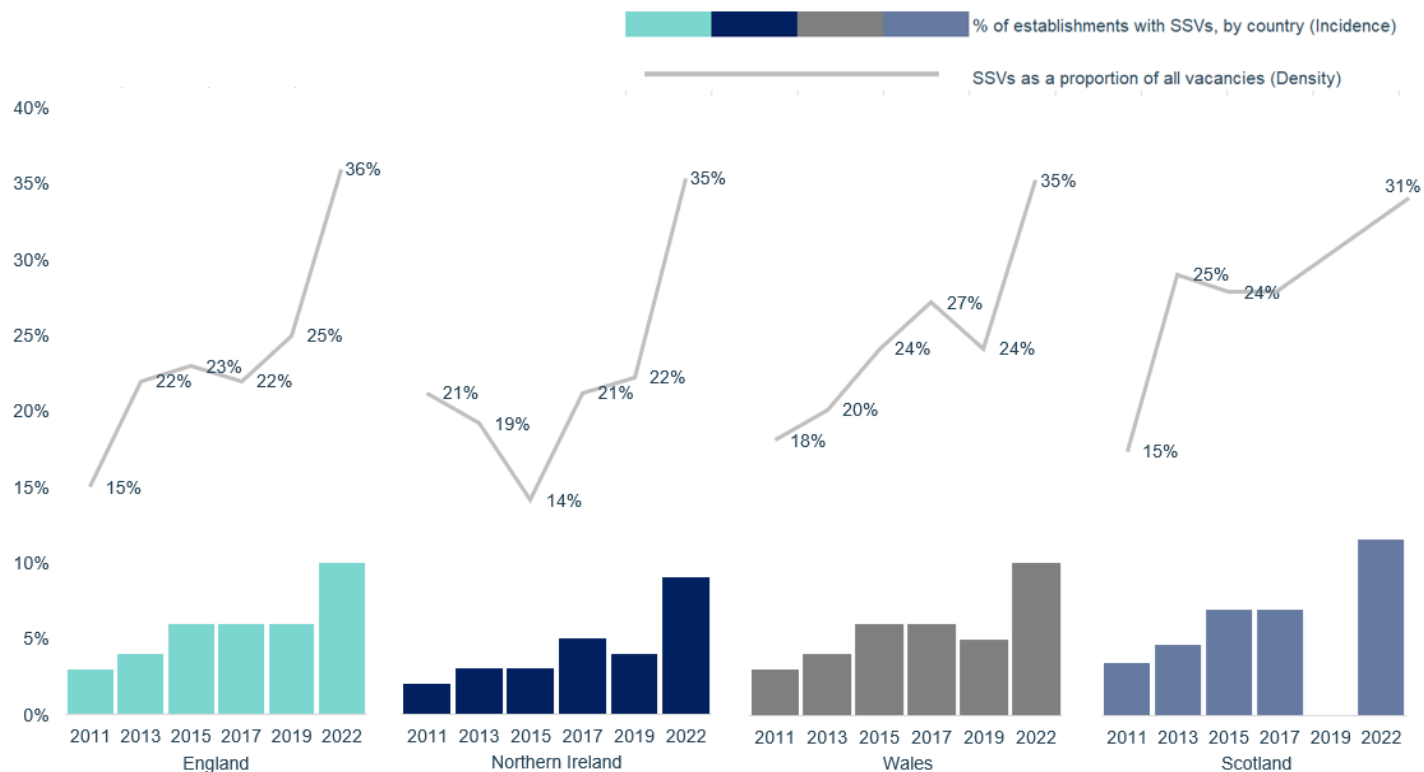
All these factors suggest that an increase in the supply of domestic skills may not always result in a reduction in international recruitment. If the government wants employers to rely more on domestic skills, it may need further inducements, beyond simply increasing the supply of UK-born skilled workers. This might include decreasing employers' access to the visa system; in this scenario, improving the supply of domestic skills will be an even more important investment to help mitigate the negative impacts of reducing access to the global skills pool.

Skills and immigration interaction - in data

The [Employers Skill Survey \(ESS\)](#) shows a rise in reported Skills-Shortage-Vacancies (SSV), which are vacancies that employers view as hard to fill *due to a lack of skills, qualifications or experience among applicants*. This is a subjective measure of the reason for shortage and can result in occupations which require greater education exhibiting lower skill-shortage than occupations with lower educational requirements. For example, care worker is an RQF 1-2 occupation and senior care worker is an RQF 3 occupation, however care workers have a greater share of SSVs (38%) when compared to senior care workers (30%). Whilst SSVs are not a perfect measure of skills-shortage, they can indicate changes in the perceived existence of skills shortages across the UK. SSVs as a share of all vacancies (the density) rose from 22% in 2017 to 36% in 2022 according to the ESS, suggesting that employers perceive there to be a growing issue in terms of the supply of skills.

Looking at the ESS we can see that in 2022 the density of SSVs were relatively similar across the Devolved Nations (DN). Differences in the change of the density reported in each nation prior to 2022, however, do occur between the nations—emphasising the need to consider the experience of skills shortages specific to each nation (see Figure 1.9). Looking at the [2011 figures](#), the density of reported SSVs was lower in all nations of the UK.

Figure 1.9: Incidence and density of Skill-Shortage-Vacancies (SSVs)

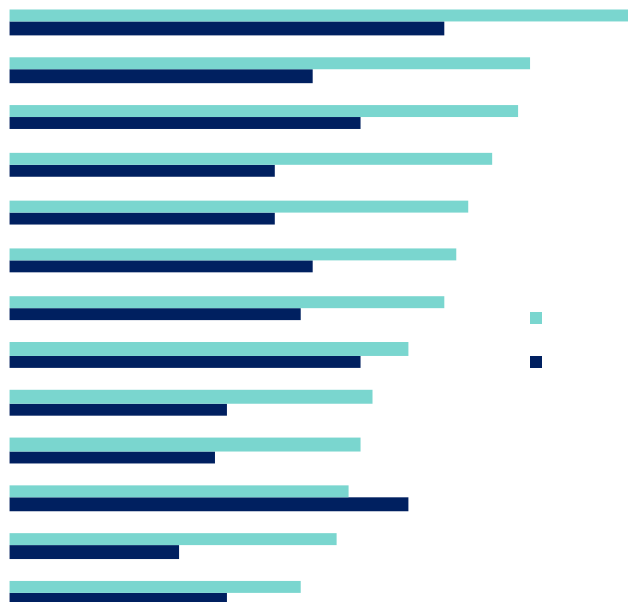


Source: Employers Skills Survey, 'Core indicators' in England, Northern Ireland, Scotland and Wales between 2011 and 2022.

Notes: Incidence refers to the percentage of establishments reporting a Skilled Shortage vacancy, density refers to the number of Skills Shortage vacancies as a proportion of all reported vacancies.

Focusing on sector-level data in the [2022 ESS](#), the volume of SSVs was highest in the Health and Social Work sector (110,200), followed by Business Services (102,400) and Wholesale and Retail (56,000) sectors. This is broadly in line with the relative size of the sectors. The proportion of vacancies in a sector considered to be caused by skills shortage (measured by SSV density) were more concentrated in Construction (52%), Information and Communications (43%) and the Manufacturing sectors (42%) (see Figure 1.10). Our review of Engineering and IT professionals will encompass these sectors.

Figure 1.10: Density of Skill-Shortage-Vacancies (SSVs) by sector

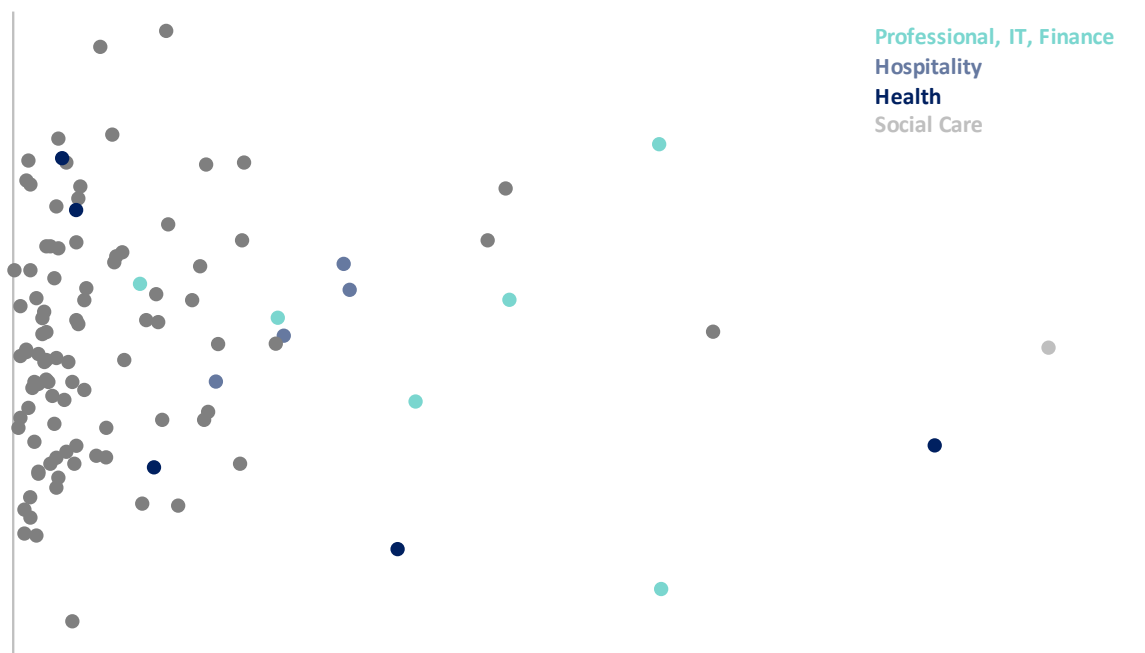


Source: Employers Skills Survey, 2022.

Base: 2022: range Public Admin. 244 to Wholesale & Retail 4,211 (all establishments with vacancies).

We now look at the potential relationship between skill shortages and visa usage in the data. Figure 1.11 below shows that the occupations with the highest density of SSVs are not necessarily the occupations that have been more reliant on the visa system to recruit. In this Figure, we have highlighted the occupations from Table 1.7 with the highest share of visas in key sectors. These occupations demonstrate a high reliance on immigration and therefore one may expect they would be experiencing a similarly high rate of reported SSVs. However, there is clear variation in the rate of SSVs reported across these occupations. For example, management consultants and business analysts have both high visa usage and reported SSVs, whilst IT business analysts, architects and systems designers have high visa usage but very low reported SSVs. Despite a general increase in both reported SSVs across the labour market in the UK and visa numbers, the relationship between this type of vacancy and use of the immigration system is far from clear.

Figure 1.11: Skills-Shortage-Vacancies and visa usage



Source: Employers Skills Survey, Home Office visa data, Annual Population Survey (APS).

Note: Data presented compares the Skill-Shortage-Vacancy (SSV) density (2022) and Skilled Worker Visa usage relative to new employment (2021-2023) by occupation. Only occupations that used the Skilled Worker visa between 2021 and 2023 are considered. Due to known issues with the APS, we cannot be fully confident in the new hire figures calculated. Occupations of interest, including those from Table 8 have been highlighted.

The lack of a simple correlation between SSVs and the use of the immigration system may result from any of the theoretical factors noted above. For example, migrant recruitment and domestic recruitment are not perfect substitutes; many employers will choose to employ from an international pool of labour regardless of whether the required skills are available domestically; top universities will not limit themselves to recruiting only UK academics, nuclear power plants will often find it easier to recruit specialists from countries with large nuclear industries and the England men's football manager is German! Equally, employers may not be able to fill vacancies internationally despite a demand, as many push and pull factors impact global workflows. Moreover, a lower share of SSVs could in part *result* from the fact that employers have already been using the immigration system. Addressing skills shortages may help to reduce reliance on international recruitment but it cannot be the only solution.

Pay and conditions

Skills challenges do not operate in isolation. Looking at Skills England's analysis of [in demand occupations](#), it is clear that pay and conditions play an important part in recruitment issues. Skills England use 7 labour market indicators to rank the demand for each occupation across the UK labour market, including visa application density and SSV density. In critical demand occupations are defined as outliers across those indicators. The Office for National Statistics (ONS) data shows that the median wage for in critical demand occupations (£19.24 per hour) in general is higher than for those not in demand (£16.36 per hour), however wages for individual occupations do not always increase in line with the demand index. For example, senior care workers

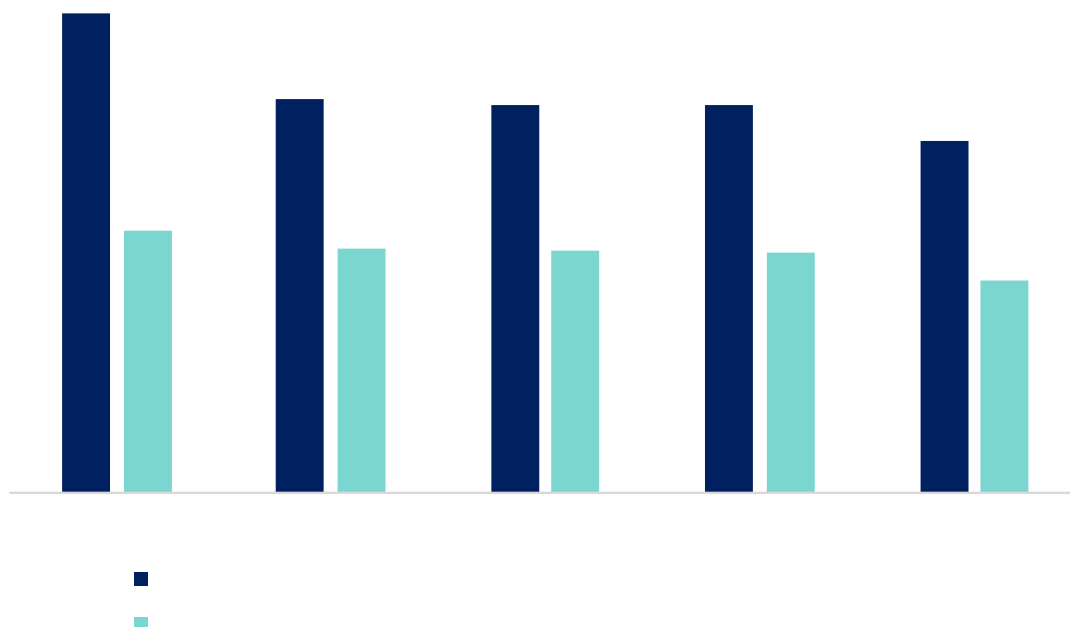
and care workers are both paid below the median for ONS skill level 2 occupations even though they exhibit critical levels of demand. For these occupations, improved pay and conditions may increase domestic recruitment. As referenced previously, these roles are in some way government funded and therefore the level of pay is in essence a government decision.

It could be argued that skills shortages, as perceived by employers, does not necessarily mean a complete lack of skills domestically. Instead, the domestic workforce with relevant skills may be unwilling to supply their labour for the wage and working conditions on offer from employers.

Domestic training

In theory, increased international recruitment may not be the result of declining investment in domestic skills and training but the cause of it. As shown earlier, much of the data related to V s relies upon employers' perspective of available skills, therefore it is possible that people who would be able to develop the necessary skills are in the domestic work pool, but employers are reluctant to fund additional training of domestic skills. In addition, some occupations require skills which are cross-cutting and multi-disciplinary. Employers are more reluctant to invest in general forms of training for employees as these can be transferred to competing employers and industries, turning instead to recruiting internationally for individuals with these skill sets. In practice, however, within the evidence reviewed as part of the [MAC EEA report \(2018\)](#), no negative impact on the training of the UK-born workforce as a result of migration was indicated. [Mountford and Wadsworth \(2018\)](#) found that immigrants were in fact slightly less likely to be in receipt of training than UK-born workers adjusting for occupation, demographics and job characteristics, and that the rise in the adult skilled immigrant workforce could not explain very much of the fall in the training incidence of UK-born workers, though the evidence base was not large.

Figure 1.12: Investment in training



Source: Employers Skills Survey 2022, adjusted for 2022 prices using Consumer Prices Index.

As shown in Figure 1.12 above, the ESS suggests that businesses real-terms spend on training both per employee and per trainee has fallen since 2011, by around 19% and 26% respectively. This is supported by the [Institute for Fiscal Studies](#) who estimate that average employer spending on training has fallen by 27% in real terms between 2011-2023, and that public spending on adult education and skills has fallen by 31% in the same period. The [number](#) of publicly funded adult educational qualifications (excluding those in higher education) in England is down from 3.5 million in 2010 to 1.8 million in 2023. Falling apprenticeship availability in the UK is part of a landscape of [falling investment](#) in domestic training. The [Resolution Foundation](#) note that where apprenticeship opportunities are available, there are inequality issues as access has fallen most heavily for young people with low level qualifications.

Between the 2017/18 and 2022/23 academic years, apprenticeship achievements have declined 41%. Correspondingly, total employment of foreign nationals has risen by 32% between 2017 and 2023. Data from the Devolved Nations suggest that [Wales](#), [Scotland](#) and [Northern Ireland](#) follow a broadly similar trend, with either stagnating or decreasing apprenticeship achievement numbers over a similar period. This is a trend noted by the Prime Minister in his [speech to Labour party conference](#). However, it is important to be clear this relationship is nuanced and there is no evidence of causality.

Focusing on apprenticeships may paint too simplistic a view of the domestic skill supply. Whilst apprenticeships have been decreasing in recent years, the number of [UK applicants to universities](#) has increased. [Skills England](#) highlight that a major strength of the UK skills system is the number of degree qualifications being achieved at high quality universities, across a diversity of individual backgrounds. This suggests that domestic training may not be declining but changing in response to employer demands, most likely as a result of growing emphasis on graduate roles in the labour market. As mentioned previously, labour

supply adjusts to try and meet employers demands. Similarly, focus on apprenticeships ignores skills formed from other training, and by going straight into work and building industry knowledge sooner. As we outline earlier, skills vary and require different forms of training, focusing on building opportunities only at apprenticeship level will not fully address skills shortages being seen across the UK labour market.

As shown in Figure 1.5 between 2021 and 2023, over 50% of SW visas were issued for graduate level occupations (RQF 6+). One could reasonably expect these workers to have graduate level qualifications which take a significant time to achieve. Increasing the domestic population with these skills would take time and therefore to replace these skilled workers domestically would require a long-term government strategy.

There is an argument that even though there are significant number of degree qualifications being achieved at universities in the UK, these provide broader skills that may not match the skills required to do jobs in shortage. These skills may be better developed through specialised masters, vocational degrees, or on-the-job training.

To effectively address issues in domestic skills supply, the government should ensure skills policy considers the specific challenges each sector faces and does not solely focus on one set of skills or method of training. Even then, however, the government should not assume increasing the supply of domestic skills will reduce immigration of its own accord.

Looking beyond skills

This chapter has focused on the relationship between the availability of domestic skills and the use of the immigration system. However, it is important to note that satisfying employers demand for skills is not the only role of work visas. There is evidence that high-skilled migration has broader economic benefits even if skilled workers are not coming to fill 'deficits' in the skilled domestic workforce. For example, high-skilled immigrants can improve productivity, and having a high supply of certain skills may help the UK build a comparative advantage in skill-intensive industries. [Skills England](#) highlighted that around one third of the average annual UK productivity growth between 2001 and 2019 is due to an expansion of the skills available in the workforce. Access to a global labour force might improve the UK labour market's ability to respond to demand shocks.

Finally, many (though not all) skilled workers receive high salaries. This means that they may make significant contributions to public finances, effectively subsidizing the cost of public services and other government spending for the rest of the population. This is explored in detail in the next chapter. As a result, admitting skilled workers on high salaries may have positive economic impacts even if it has no impact on metrics such as the number of SSVs.

Conclusion on skills and migration links

Overall, it is clear that the supply of skills does not operate in isolation. Many sectors exhibit high levels of immigration not just due to skills shortages but as a result of poor pay and working conditions which cause low engagement from the domestic workforce. It is therefore important to accurately diagnose whether shortages are caused by a lack of attractive pay and conditions in certain occupations or skills, to enable the government to create policies targeting the right issue. Given that a large proportion of work visas go to public sector

workers, or care worker roles that are effectively publicly funded, if the government wish to reduce the reliance here, they will also need to address complex skills, pay and conditions issues within these occupations too.

There are good reasons to focus on improving the skills of the domestic workforce, including in occupations that have relied heavily on work visas. If the skills system can be improved, this may benefit domestic workers directly, improving their employment and earnings prospects. Skills initiatives should be justified on their own merits, and not purely because they may help to reduce demand for visas. After all, the analysis in this chapter suggests there is no guarantee that improving domestic skills would automatically result in lower demand for visas, absent other changes in the immigration system. Successful skills policies might also complement (that is, mitigate the impacts of) any restrictions on skilled migration that the government may choose to introduce for other reasons, such as to reduce net migration.

There are wider economic and fiscal benefits of having highly skilled, productive and high-earner migrant workers. Therefore, we would not expect upskilling of domestic workers to eliminate the potential economic benefits of migrant workers in skill-intensive sectors, some migration of workers in specific areas may continue to be desirable from an economic perspective.

Future work

The MAC has historically considered the relationship between skills and labour shortages in the UK. Namely, within our reviews of the SOL, our rapid review of the ISL (which has replaced the SOL) and across various visa specific reviews. The Home Secretary provided the most detailed public statement on how the government envisions their approach to legal migration in a [Westminster statement](#) made on 30 July 2024. Within this statement, the Home Secretary stated that migration policy and visa controls would be made in accordance with skills and labour market policies to ensure immigration is not an alternative to domestic training. To enable this, the Home Secretary set out plans to launch a new Quad framework between the MAC, Skills England, the Industrial Strategy Council (ISC) and Department for Work and Pensions to address systemic long-term issues that have led to reliance from certain sectors on international recruitment, and where appropriate, to reduce that reliance.

Across the UK, skills policy is a devolved matter; the UK government retains responsibility for skills policy in England, but the Devolved Governments hold this responsibility for their respective nations. To link devolved skills policy with immigration policy (a reserved matter for the UK government) effectively, different approaches to skills across the UK and how they interact with a UK-wide immigration system must be considered. An approach which does not address this challenge could lead to unintended consequences for parts of the UK's labour market.

The Skills-Migration Quad framework

We envisage that the Quad will work together to carry out several key functions. The Quad can help identify priority sectors for consideration. We anticipate this will be guided by the government's industrial strategy. In addition, as with our current commission to review international recruitment in IT/Engineering, we expect the

MAC will be asked to identify sectors with generally high reliance on international recruitment for consideration.

- The Quad will work collectively to identify any shortages within these sectors, help to diagnose the causes of these and devise skills and workforce plans to address them. Once sectors have been identified and skills and workforce plans have been agreed, the Quad can consider the role of migration. For sectors which have workforce plans, the MAC could provide advice on the terms for access to international recruitment, e.g. whether it is sensible to allow continued or revised access to international recruitment in the short-to-medium-term while workforce plans are being implemented;
- For sectors identified as having a high reliance on migration, we envisage taking a similar approach to our IT/Engineering review, where we determine whether this reliance is a problem for the sector or for the government's ambitions, and if so, what policy levers might be available to the government to reduce this reliance.

The MAC's expertise lies predominantly in migration and therefore we expect this will be our main area of input. Other members will be better placed to perform some of the Quad's wider functions; the ISC may be better-placed to advise on the relevance of occupations to the growth-driving sectors of the Industrial Strategy and Skills England and their devolved equivalents may be best placed to devise skills plans. Some sectors which have little or no access to international recruitment under the existing system may also still be relevant to other members of the Quad.

We look forward to working in partnership within this framework. While we are working to establish reporting practises, one area which requires greater clarity from the government is how the Devolved Government's will be included within this framework given that skills are a devolved matter across the UK. While the infrastructure across government is established to support this framework, the MAC intends to work collaboratively with the members of the Quad and the relevant devolved skills bodies and government departments across Northern Ireland, Scotland, and Wales.

IT and engineering commission

On 6 August 2024 the Home Secretary wrote to the MAC to [commission](#) a review of international recruitment in IT and Engineering professions. As set out in the commissioning letter, these sectors are particularly reliant on international recruitment. As part of this commission, we have been asked to consider occupations in shortage; drivers of shortages including training, pay and conditions; and policy levers within the immigration system which could be used to incentivise sectors to focus on recruiting from the domestic workforce.

We expect this to be the first of many similar pieces of work looking at key sectors across the economy. This commission will lay the foundation for collaboration with the members of the Quad. In part, this chapter is the first attempt at providing an annual overview of cross-economy reliance on the immigration system, highlighting other sectors which may be of interest to the government. We expect to report on our full review of the IT and Engineering sectors in May 2025.

Chapter 2: Fiscal analysis of Skilled Worker visa

Summary

- Fiscal impacts are a key consideration for policymakers when designing future immigration policy. These are the MAC's first in-house estimates of the fiscal impacts of migrants on the Skilled Worker (SW) visa.
- We estimate that the average migrant on the SW visa had a positive net fiscal impact of £16,300 and that the average UK-born adult has a positive net fiscal impact of £800 in 2022/23.
- For households, we estimate the typical SW route household had a positive net fiscal impact of £12,000 and the equivalent UK household to have a negative net fiscal impact of £4,400 in 2022/23.
- We explain that migrants on the SW route are net fiscally positive as the immigration rules are designed to allow entry to the highest earning migrants who meet the salary thresholds of the SW route.
- The analysis we present here is static at a snapshot in time. We intend to refine our static approach and develop a dynamic model to understand the lifetime impacts of migrants as they progress through the UK labour market.

Introduction

A key consideration for policymakers when considering introducing or changing a visa route is the impact that the route will have on public finances. Whilst the MAC has consistently argued that a good metric for evaluating immigration routes is to estimate whether the route enhances the welfare of the resident population, we have always been clear that the fiscal impact of migrants is an important part of this calculation. Historically, the Committee has often commissioned external experts to produce estimates of the fiscal impact of migration. We have now decided to produce our own in-house estimates, and this chapter provides a first set of such estimates.

As a starting point, we have developed a static model to estimate the fiscal impact of migration on government finances at a specific point in time and for a well-defined cohort of migrants. We will focus here on those who entered the UK in 2022/23 on the SW visa, either as a main applicant or as a dependant and we will focus on their fiscal impacts for that year only. It should be noted that the early years of SW migrants are likely to be when they are the most net fiscally positive as they are prevented from benefiting from some government spending that UK nationals are entitled to until they acquire indefinite leave to remain (ILR). At the same time however, progression in the UK labour market is likely to lead to a higher salary which will lead to an increase in tax receipts.

We provide separate estimates for those who come on the Health and Care Worker visa (H&C), which is a subset of the SW route. However, our intention is to develop the model further to consider all the main visa routes that the MAC have been asked to review in recent years, and to develop a dynamic fiscal model that

considers the life cycle of a migrant. Our methodology builds on previous work conducted by [Dustmann and Frattini](#) and by [Oxford Economics](#). Our methodology has also been shared and discussed with the Office for Budget Responsibility (OBR) and the Institute for Fiscal Studies, who have provided feedback. We are indebted to these organisations for their helpful advice, though they of course bear no responsibility for our analysis. We plan to use our methodology outlined below moving forward to more effectively answer any questions that governments may pose to us in the future regarding how changes in migration will impact public finances (see Annex for more details on our methodology and definitions of the technical terms used in this chapter).

Our focus in this chapter is on the fiscal impact of the average SW migrant and their dependants who entered the UK in 2022/23. It is important to distinguish between the average approach taken in this chapter and the alternative approach of focusing on the marginal fiscal impact of migrants. Under a marginal approach, the focus is on determining the impact of one additional migrant entering the UK. This approach tends to result in certain aspects of government expenditure not being considered. Such an approach is taken by the Home Office in the recent publication of their [2024 Spring Rules impact assessment](#), when estimating the fiscal impact of SW migrants and the implications of the policy changes announced in Spring 2024. For consistency, the marginal approach should estimate the marginal cost to government of providing all services to one additional person – but such estimates do not in practice exist, so the analysis often reverts to the average cost anyway.

On the other hand, following the previous work cited above, the approach taken here estimates the average impact of SW migrants in the UK. This is conceptually easier to estimate because we do not need to decide which elements of public spending are pure public goods nor do we need estimates of the marginal cost to the government of providing services. For example, although defence spending is often viewed as a pure public good, the government has committed to spending a proportion of Gross Domestic Product (GDP) on defence spending. Since the arrival of an additional SW migrant increases GDP, it would be expected that defence spending would increase as a result.

One should therefore think of our estimates as reflecting the overall fiscal impact of the route, rather than being able to use them to estimate how a policy change to the route would change the fiscal impact. It should be noted however that the marginal approach is only appropriate when the policy changes the government are seeking to introduce are small.

Background

In 2022/23, there was a minimum general salary threshold of £26,200 required for eligibility for those applying to the SW route. The H&C visa is a subset of the route, with different salary thresholds and exemption from the Immigration Health Surcharge (IHS). Throughout this chapter, any reference made to Skilled Workers refers to main applicants on the SW route including those on the H&C visa.

The table below shows the number of SW main applicants and dependants in 2022/23. Over 50% of all migrants on the SW route were main applicants. There were similar numbers of adult and child dependants, with 23% of all SW visas granted to adult dependants, and 25% to child dependants.

Table 2.1: Skilled Worker Volumes 2022/23

Applicant type	Visas Issued
Main Applicant	170,300
Adult Dependant	76,600
Child Dependant	82,300
Total	329,200

Source: Home Office Management Information 2022/23.

Table 2.2 below breaks down the major components of government spending and revenue in the UK for 2022/23. Total government expenditure in 2022/23 came to £1,068bn. Total government revenues for the same year totalled £1,015bn. This chapter does not consider business rates and council tax in the analysis. We assume that, given council tax and business rates are still due on empty properties, in the short run it is assumed migration would have no impact on the total receipts for either of these revenue components. Therefore, we exclude them from the analysis both of Skilled Workers and UK adults to ensure consistency when comparing between groups. In a longer-run analysis it may be more appropriate to assume that migration might increase the number of business or residential properties, at least to some extent, and thus that such revenues would increase.

Table 2.2: Total Government Spending and Revenues

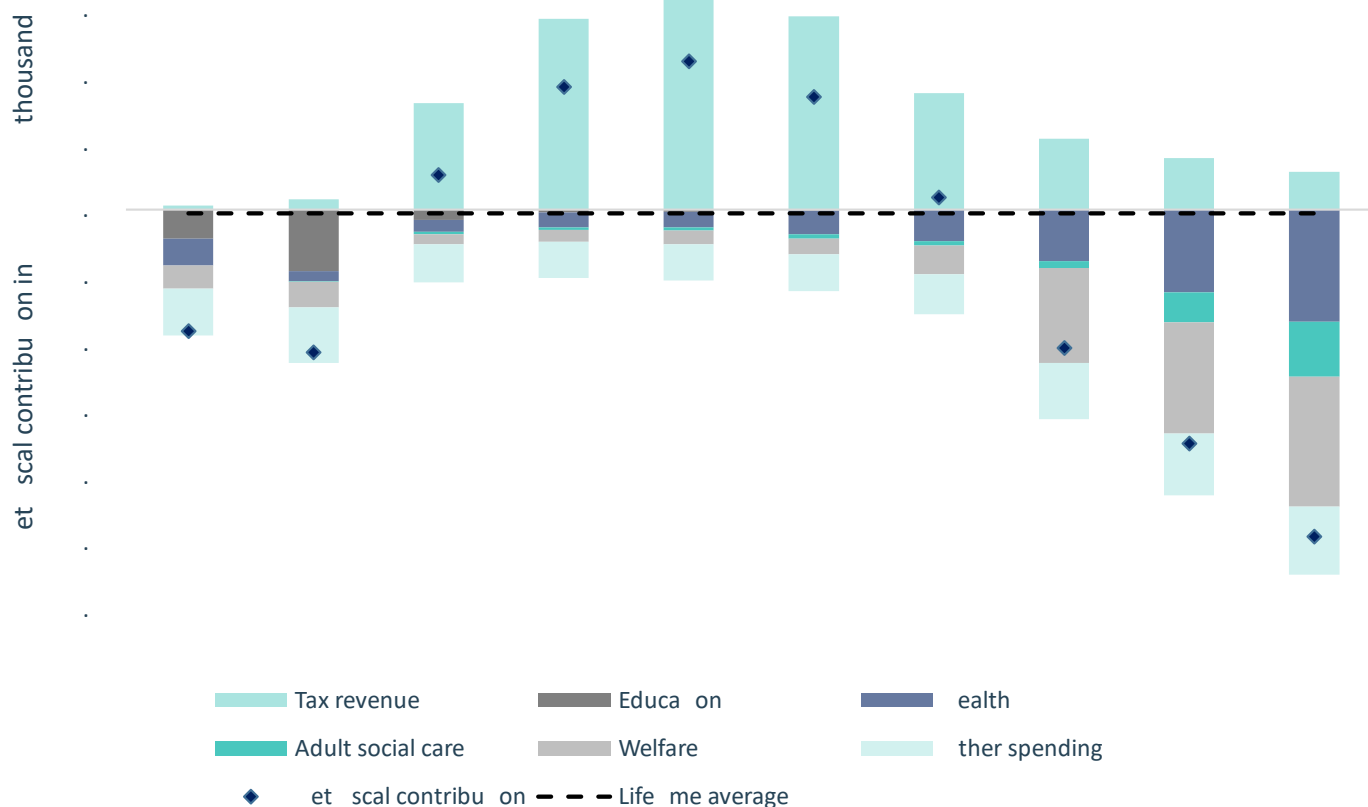
Total government expenditure component	Value (£bn)	Total government revenues component	Value (£bn)
Debt interest	£128	Income tax	£248
Public goods	£295	National Insurance	£178
- Defence	£56	Indirect taxes	£242
- Administration costs	£47	- VAT	£159
- Transport	£44	- Other indirect taxes	£82
- Fuel and energy	£43	Corporation Tax	£78
- Courts and prisons	£14	Council Tax	£41
- Foreign aid	£5	Business rates	£26
- All other public goods	£86	Capital Gains tax	£18
Healthcare	£210	Inheritance Tax	£7
Education	£93	Other revenues	£80
Welfare payments	£319	Gross operating surplus	£67
- State pension	£124	Interest and dividends	£31
- Other welfare payments	£195		
Policing	£25		
Other	-£2		
Total	£1,068	Total	£1,015

Expenditure source: Public Expenditure Statistical Analyses tables, 2023. Revenue source: Office for Budget Responsibility (OBR) public finances databank April 2023.

Note: This table excludes depreciation, which was estimated by the Office for Budget Responsibility (OBR) to be £59bn for 2022/23. Fuel and energy is higher in 2022/23 due to the cost of living payments. Accounting adjustments were excluded from our analysis. Administration costs refers to the expenditure on all government functions both in terms of legislative affairs (e.g. running of Parliament) and economic affairs (e.g. Treasury and HMRC).

An inevitable consequence of focusing on the SW route is that we will show a very sizeable net positive fiscal impact of migrants. There are two main reasons for this. First, the age of an individual is a key determinant of the net fiscal contribution that they make. This effect is elegantly demonstrated by the OBR, who map the net fiscal contribution of individuals against their age (Figure 2.3). It shows that individuals of working age (20-69) on average have a net positive fiscal impact, with the highest positive contribution for those aged between 30-49. In the 2022/23 cohort, 61% of Skilled Workers were aged between 30 and 49 and 99% were between 20 and 69. This age-related pattern is the result of two effects. First, those of working-age pay substantially more in taxes than children (who essentially pay no taxes) or those in retirement who have lower incomes, primarily as a result of not working. These higher tax payments reflect both higher direct taxes (e.g. income tax), but also higher indirect taxes (e.g. VAT) because households with more income also have higher expenditure. Second, significant parts of government spending are much higher for those not of working age. For children, education is the obvious cost. For those aged 70 and above, the costs of health and social care are much higher, in addition to the provision of the state pension. This age-related pattern highlights how important a dynamic perspective is in addition to the static approach taken here. This will be an important future extension to our work.

Figure 2.3: OBR Net Fiscal Contribution by Age



Source: OBR.

Note: These profiles are constructed on the basis that aggregate primary spending and receipts are broadly in balance, as is the case on average over the medium-term in our March 2024 EFO. Therefore, they do not capture the fiscal impact of major economic shocks on public spending and receipts.

The second reason why Skilled Worker migrants will exhibit substantial positive net fiscal benefit is that the route is designed to attract migrants who are in full-time employment with generally high earnings. So even compared to a UK adult of the same age, we would ex ante expect significantly higher tax contributions from Skilled Workers because they will be in employment (rather than some being unemployed or inactive) and earning more. We discuss this in more detail below.

In general, we will compare Skilled Workers' average net fiscal position with UK adults' average net fiscal position. This allows us to compare the relative net fiscal contribution of different groups for a given year irrespective of the overall fiscal position of the UK in that year.

2022/2023 Static Model

Key findings: government expenditure

This section provides our estimates of government expenditure at the individual level for main applicants, adult dependants, and child dependants on the SW visa in comparison to the equivalent UK-born adult, working adult or child. The comparison between Skilled Workers and UK-born working adults is more of a like

to like comparison than that between Skilled Workers and all UK-born adults, as it compares two groups in employment, creating similarities in age and economic activity.

In 2022/23, we estimate that the average SW main applicant accounted for £6,200 of government spending, whilst the average UK adult accounted for £16,500, as seen in Figure 2.5 below.

SW main applicants are assumed to use less healthcare services than the average UK adult, by approximately £1,500 in 2022/23. As mentioned previously, 99% of Skilled Workers are aged between 20-69. In comparison, the UK-born adult age distribution is more spread out. This is shown further in the difference between UK-born working adults' health costs and Skilled Workers' health costs, which only differ by £1,000, where working adults have a similar age distribution to Skilled Workers. Using OBR's health estimates by age adjusted to account for total government expenditure on health, we estimate that the average annual cost of healthcare for a 39-year-old is £1,200, whereas the average annual cost for an 80-year-old is £5,500. Adult dependants share similar costs to main applicants due to a similar age distribution. Health costs are more expensive for young children and decrease each year until a child turns 18 according to OBR estimates. This means that health spend is higher for pre-primary aged children than primary and secondary aged children. This is why child dependants of Skilled Workers (38% are pre-primary age) cost more in healthcare than the average UK-born child (24% are pre-primary age) as shown by Table 2.4.

Table 2.4: Age profile of UK children and child dependants

Education level	UK-born	Skilled Worker	Skilled Worker (excluding H&C)	Skilled Worker (H&C only)
Pre-primary age (0-4)	24%	38%	44%	35%
Primary and secondary age (5-18)	76%	62%	56%	65%

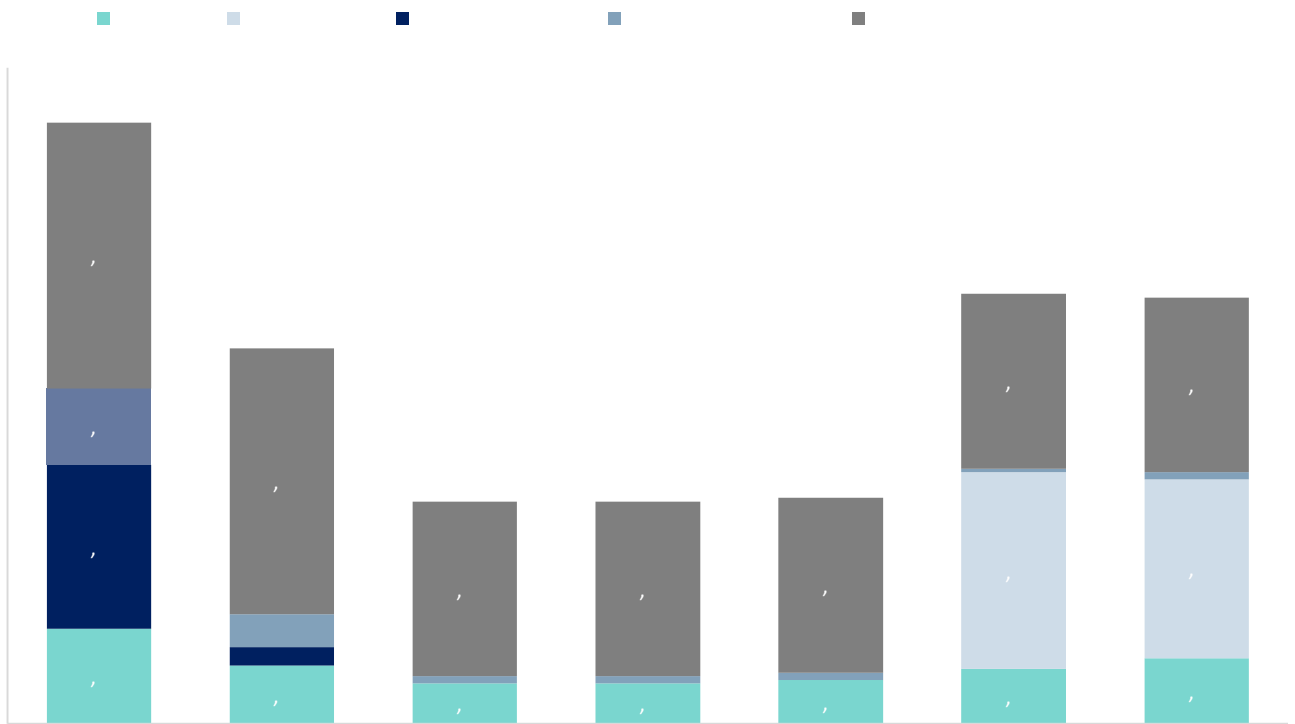
Source: Home Office Management Information 2022/23 and Annual Population Survey 2022/23.

Another key difference in allocated expenditure between the average Skilled Worker and the average UK-born adult is that UK adults receive support from the state through pensions and social protection, both of which Skilled Workers and their dependants are mostly ineligible to receive. Through these components, the average UK-born adult cost public finances £6,600, whilst SW main applicants, adult dependants and child dependants are allocated only £200 in social protection expenditure. Working UK-born adults also cost far less to public finances in state pension and social protection than the average UK-born adult, with a difference of £5,200. For UK-born adults, social protection includes benefits, but Skilled Workers and their dependants have no recourse to public funds (NRPF), so cannot receive any social protection benefits. Skilled Workers do not have any state pension entitlement until they have made National Insurance (NI) contributions for 10 years (by which point they will have likely obtained ILR). The £200 that is allocated to migrants is for personal social services. These are services provided by social workers and social care to families and individuals that migrants are still eligible for despite not having recourse to public funds.

For education, child dependants cost £4,900 to public finances and the average UK-born child £5,400. This is because it costs more to educate school-age children (hence why education costs are higher for UK-born as they have a relatively higher share of children in primary and secondary school).

The ‘All other expenditure’ figure is made up of multiple components of government expenditure. The main components are spending on public goods like defence, aid, and policing. Whilst an additional, or marginal Skilled Worker is unlikely to impact spending on some public goods, we use an average approach here and so allocate on a per capita basis. UK-born adults cost £2,500 more to public finances in all other expenditure compared to Skilled Workers and dependants because we have allocated debt interest to UK-born adults only. This is because it is assumed debt was accrued before Skilled Workers and their dependants arrived in the UK, so we have not allocated interest repayments to them.

Figure 2.5: Allocated government expenditure per person



Source: MAC analysis of Annual Population Survey 2022/23, Home Office Managed Information 2022/23 and Home Office Published Immigration Statistics 2022/23

Notes: Social protection refers to both benefits and personal social services.

Key findings: tax receipts

This section discusses the estimated tax receipts of main applicants and dependants on the SW visa in 2022/23, showing that the tax contributions of main applicants is higher than the average UK adult. It is assumed that children of both UK adults and Skilled Workers make no tax contribution to the UK.

We estimate that the average Skilled Worker had tax payments totalling £21,400. Income tax and National Income Contributions (NIC) made up 61% of this, indirect taxes made up 18% and the remaining 22% included corporation and capital gains tax as well as components allocated on a per capita basis. These per capita components include gross operating surplus (GOS), which accounts for the profits generated by the public sector and a combination of revenues such as landfill tax and the energy profits levy. GOS is included in our methodology in line with the average fiscal approach taken in this chapter. Additionally, council tax and business rates are excluded from the tax receipts methodology. As explained in the introduction, given this is a static analysis and in the short run these levies are still due on empty properties, it is therefore assumed migration has no impact on the level of tax receipts for these two taxes in the short run.

UK adult comparison

Compared to the average UK adult, Skilled Workers' tax receipts were around £1,100 higher. Skilled Workers contributed approximately £5,900 more in terms of Income tax and NICs than the average UK adult. This is because Skilled Workers had a higher average salary than the average UK adult. This is due to the fact that Skilled Workers face a salary threshold, and employment is a mandate of the SW visa, whereas the average UK adult includes those that may be unemployed, economically inactive or retired, and those who earn less than Skilled Workers. The median salary for UK adults was £28,000 in this period, compared to a median salary for migrants on the H&C route of £24,000 and £45,000 for those Skilled Workers outside the H&C route.

Indirect tax receipts for Skilled Workers were lower than the average for all UK adults. This is due in part to remittances being paid by migrants back to their country of origin reducing the amount migrants spend in the UK. This was estimated in the model at around 7% with some variation depending on the income level of the migrant's origin country¹. Additionally, it is expected UK-born adults will have access to additional funds from investment income and benefits not apportioned to Skilled Worker migrants. This additional income will result in higher consumption for the UK-born population resulting in relatively higher indirect taxes being paid for the UK-born vs the Skilled Worker migrant average.

Corporation tax payments, whilst similar for all Skilled Workers and UK adults, were significantly higher for Skilled Workers outside the H&C route. This difference is the result of a weighting we apply to corporation tax. This weighting accounts for the proportion of corporation tax paid by each industry on a per worker basis. Corporation tax is paid on profits, therefore the weighting increases the corporation tax paid for workers in highly profitable industries, and weights down those industries where profits are small, such as the public sector. Therefore, H&C visa workers have lower corporation tax payments than those outside the H&C route because the majority work in the public sector where profits are small, compared to Skilled Workers outside the H&C route working in profitable industries such as finance, IT and engineering.

Finally, the small difference in all other revenues between the different types is because UK-born adults are allocated inheritance tax equivalent to £200. Our approach was to allocate inheritance tax to homeowners

¹ Bilateral remittance data is taken from the World Bank. We use remittance data from 2022 to estimate the remittance share for Skilled Worker migrants, grouping by country income group (low-income countries, lower-middle income countries, upper-middle income countries, high-income countries).

aged over 70 as outlined by Dustmann and Frattini (2014). As the Skilled Worker visa is a work route there are only a handful of visa holders aged over 70 and therefore Skilled Workers are not allocated inheritance tax.

Working UK adult comparison

The picture changes somewhat when Skilled Worker tax receipts are compared to the average for the working adult UK-born population. This represents a more 'like for like' comparison in the sense that, by definition, Skilled Workers must be employed and so by excluding UK-born individuals who are retired or economically inactive, the comparison is between two populations all of whom are employed. The average tax contribution for a UK-born working adult was estimated to be £24,700, £3,300 higher than the Skilled Worker average. This difference is driven mainly by two components, indirect taxes and corporation tax.

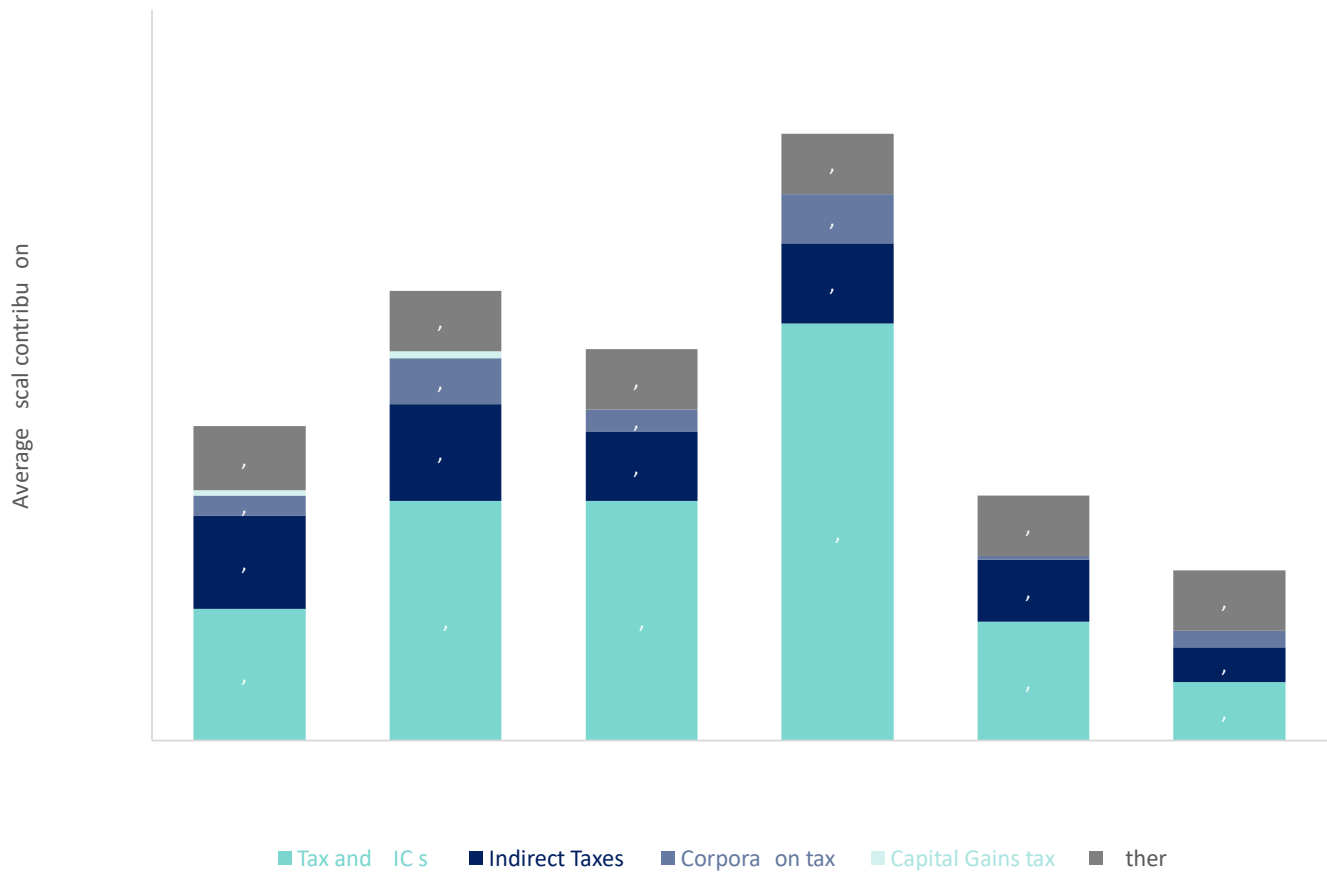
Indirect tax contributions for the average UK working adult were similar to the average for all UK adults at £5,300, £1,500 higher than the Skilled Worker average of £3,800. UK adult and UK working adult indirect tax contributions are higher than the Skilled Worker average as they are in receipt of additional income through benefits, pensions and investment income. This similarity in indirect taxes for all UK adults and working UK adults reflects the fact that the higher average wage of the working UK population (compared to the average wage for all UK adults) is offset by the lower average incomes from pensions and benefits for UK working adults. This is because much of this income is provided to economically inactive individuals (either retired or unemployed) and so this additional income will be lower for working age adults compared to all UK-born adults. These two factors, higher wages and reduced welfare income, counteract each other resulting in similar levels of indirect taxes for all UK adults and working UK adults, both of which are higher than the average for Skilled Workers. On top of this, indirect taxes are regressive. This means that those on lower incomes spend a higher share of their disposable income on these taxes compared to those on higher incomes in general.

The second main difference between UK working adults and Skilled Workers is in corporation tax contributions, with UK working adults' average contribution over twice that of Skilled Workers (£12,000 and £1,200 respectively). As explained above, this difference reflects the differing industry compositions of the Skilled Worker and working UK-born adult populations. Over two thirds of Skilled Workers were working in the health and care sector in 2022/23. This is a largely public sector industry where profits are small and so the average corporation tax for Skilled will be lower than the average for the working UK population, where the majority of workers are employed in the private sector.

Adult dependants

Adult dependants contributed an average of £9,300 in tax receipts. We do not have data on the percentage of adult dependants who work and so we assumed that adult dependants are employed at a similar rate as spouses of migrants according to the ONS Labour Force Survey. Therefore, we assumed an employment rate of 58%. In addition, we assume that adult dependants were earning the median wage of spouses of migrants, which was £24,000. There is significant uncertainty attached to these assumptions. We hope to use the Home Office and HMRC data matching visas to PAYE in due course to make a more accurate estimate of the number of dependants in work and how much they earn.

Figure 2.6: Allocated tax receipts per person



Source: MAC analysis of Home Office Management Information, 2022/23.

Key findings: Visa fee revenue

Estimates for the revenue generated from each component of migration related fees are outlined below in Table 2.7. All fees are converted into an annual figure, even if the fee paid up front covers a longer time period. The average fees paid by both main applicants and dependants on the H&C visa are substantially lower than the equivalent average fees paid by those on the general SW visa. This is largely due to H&C workers and dependants being exempt from the IHS. The cost of the H&C visa is also less than the SW visa which further explains why visa fee revenue on average is lower on this route.

Table 2.7: Annualised visa fee revenue for main applicants and dependants

Visa fee component	Main Applicants		Dependants	
	Health & Care	General	Health & Care	General
Application Fee	£193	£376	£154	£288
Health Surcharge	n/a	£454	n/a	£397
Immigration Skills Charge	£433	£553	n/a	n/a
Certificate of Sponsorship	£148	£132	n/a	n/a
Total	£774	£1,516	£154	£685

Source: MAC analysis of Home Office Management Information, April 2022-March 2023.

Note: Adults and children pay a different Immigration health Surcharge (IHS). For child dependants on the general Skilled Worker route the average IHS surcharge paid was £309, for adult dependants the average paid was £466.

Net fiscal impacts

Net contribution of Skilled Workers

It is important to consider the context within which we analyse the net contribution of Skilled Workers in this chapter. This static approach, in which we analyse the impact in a single year of Skilled Worker migrants who arrived in 2022/23, means it is likely we are estimating at a stage when they are making some of their most positive net contributions to UK government finances over their time in the UK. The main reason for this is the additional benefits available to individuals once they are granted ILR. After 5 years, Skilled Worker migrants are entitled to apply for ILR. [Figures from the Home Office](#) estimate that 52% of Skilled Worker migrants arriving in 2018 have settled in the UK in 2023.

The granting of ILR allows Skilled Worker migrants to access social protection benefits and they are eligible to receive a state pension after 10 years of NIC contributions. This could increase government expenditure for this cohort, with social protection benefits and state pension expenditure for the average UK-born adult estimated to be £6,600 in 2022/23. In addition, being granted ILR means Skilled Worker main applicants would no longer be required to be in employment or meet a minimum salary threshold. As such it is possible earnings for the cohort may reduce once they are granted ILR, reducing their tax contributions. It is important to note however that this could be offset by increases in earnings, as wages tend to grow in line with age and, by extension, experience.

A similar logic follows for healthcare. The OBR estimates that healthcare spending per person is lowest between the ages of 20 and 40, before increasing with every year after 40. With 84% of all Skilled Worker main applicants and adult dependants aged between 20-40, it is likely that over time healthcare expenditure will also increase.

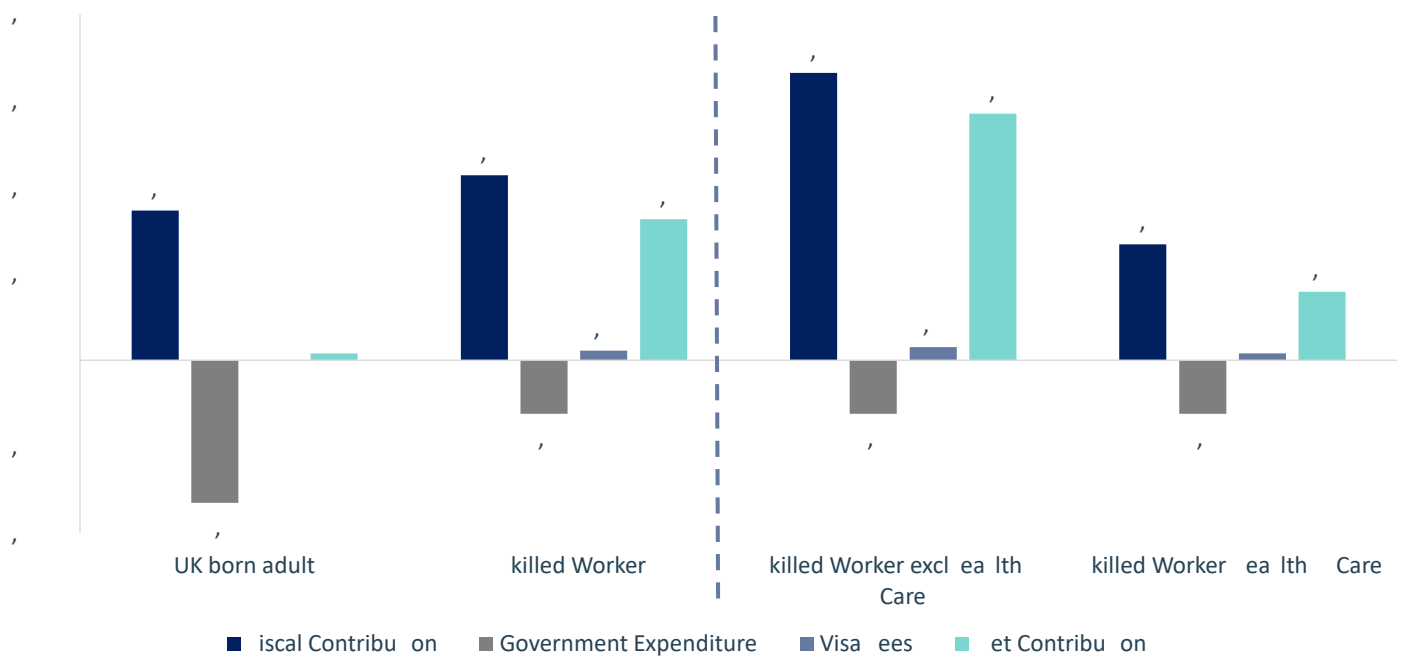
Without dynamic modelling, it is hard to know exactly how the net contribution of individuals in this cohort will change as they remain in the country for longer. However, it is likely that they will be at their highest level of contribution in the first few years of their arrival, before they are eligible to apply for ILR. This should be considered when interpreting the analysis below of the net contribution of Skilled Worker migrants.

Figure 2.8 below outlines the net contribution of Skilled Worker main applicants compared to the UK population. Skilled Worker main applicants had an average net contribution of £16,300, compared to a UK-born adult who had an average net contribution of £800. The significantly higher net contributions for Skilled

Workers compared to UK-born adults reflects both the combination of the higher incomes for this group, leading to higher tax revenues, and reduced expenditure in part due to the rules on NRPF. In addition, it is assumed migrants and children are not responsible for servicing government debt as this debt is likely to have been accrued prior to the migrant arriving or to a child being born. Debt interest payments were around £2,500 per person. Skilled Workers also tend to be younger than the UK population as a whole, resulting in lower health costs compared to the UK average.

Skilled Workers outside the H&C route had a higher net contribution than those on the H&C route at £28,500 compared to £7,900. The higher contribution for SW outside the H&C route is due to the significantly higher tax contributions reflecting the higher incomes for this group compared to incomes for health and care Skilled Workers. Additionally visa fees were twice as high for Skilled Workers outside the H&C route, this is mainly due to this group paying the IHS which is not paid by Skilled Workers on the H&C route.

Figure 2.8: Net contribution by Skilled Worker main applicant



Source: MAC analysis of Home Office Management Information, April 2022-March 2023.
 Note: Skilled Worker and UK adults are compared to the average adult contribution for all UK adults (both non-UK and UK-born adults), and children are compared to the average child (both non-UK and UK-born children).

Typical household net contribution

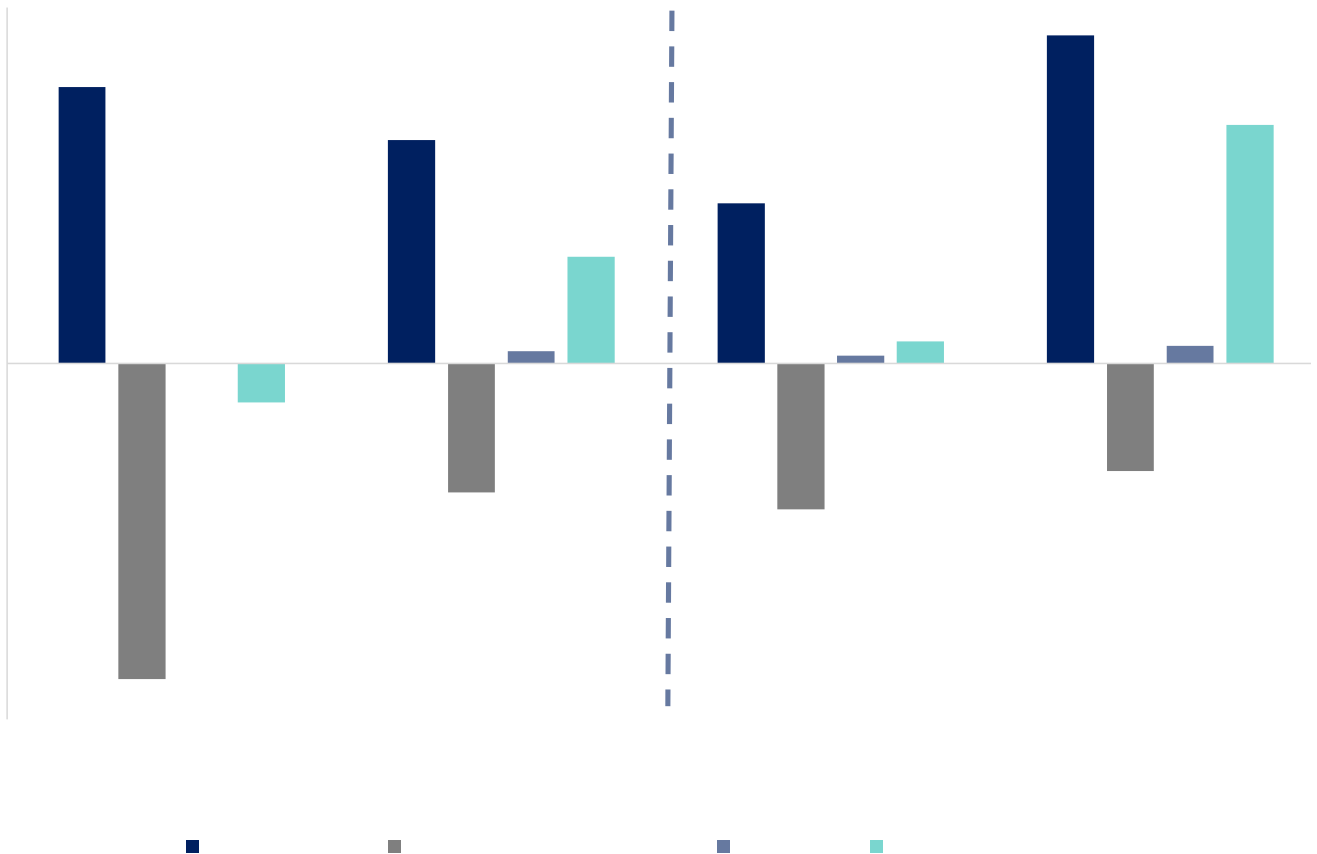
In Figure 2.9 below, the average dependency ratios for the Skilled Worker groups are used to estimate the typical household composition for a Skilled Worker. We estimate that Skilled Workers in health and care had a household composition of 0.5 adult dependants and 0.6 child dependants per main applicant, compared to 0.4 adult and 0.3 child dependants per non-health and care Skilled Worker main applicant. The average composition of all Skilled Workers (including H&C) was 0.4 adult dependants and 0.5 child dependants per main applicant. This is compared to the average UK household size of 1.8 adults and 0.5 children to ensure a

consistent comparison. Government expenditure for the typical household is offset against the tax receipts and visa fee revenue to estimate average the net household contribution for a typical household.

The typical household for all Skilled Workers had a positive net contribution of £12,000 compared to an equivalent UK household, where the estimated contribution was negative, at -£4,400. This reflects the higher expenditure for the equivalent UK household, both for adults and children compared to the average for Skilled Workers. Additionally the typical migrant household pays an estimated £1,400 in visa fees which is not paid by the UK equivalent.

The typical household for health and care Skilled Workers had an average net positive fiscal impact of £2,500. For a typical Skilled Worker household outside the H&C route, this figure was over £24,000 higher, with a positive net contribution of £26,800. Expenditure for the household of a health and care Skilled Worker was higher than for a Skilled Worker outside this route, reflecting the higher child dependency ratio for health and care Skilled Workers (0.6 compared to 0.3 for outside health and care). Additionally, tax revenues and visa fees were higher for Skilled Workers outside the H&C route compared to the average household of health and care Skilled Workers.

Figure 2.9: Typical net household contribution by Skilled Worker

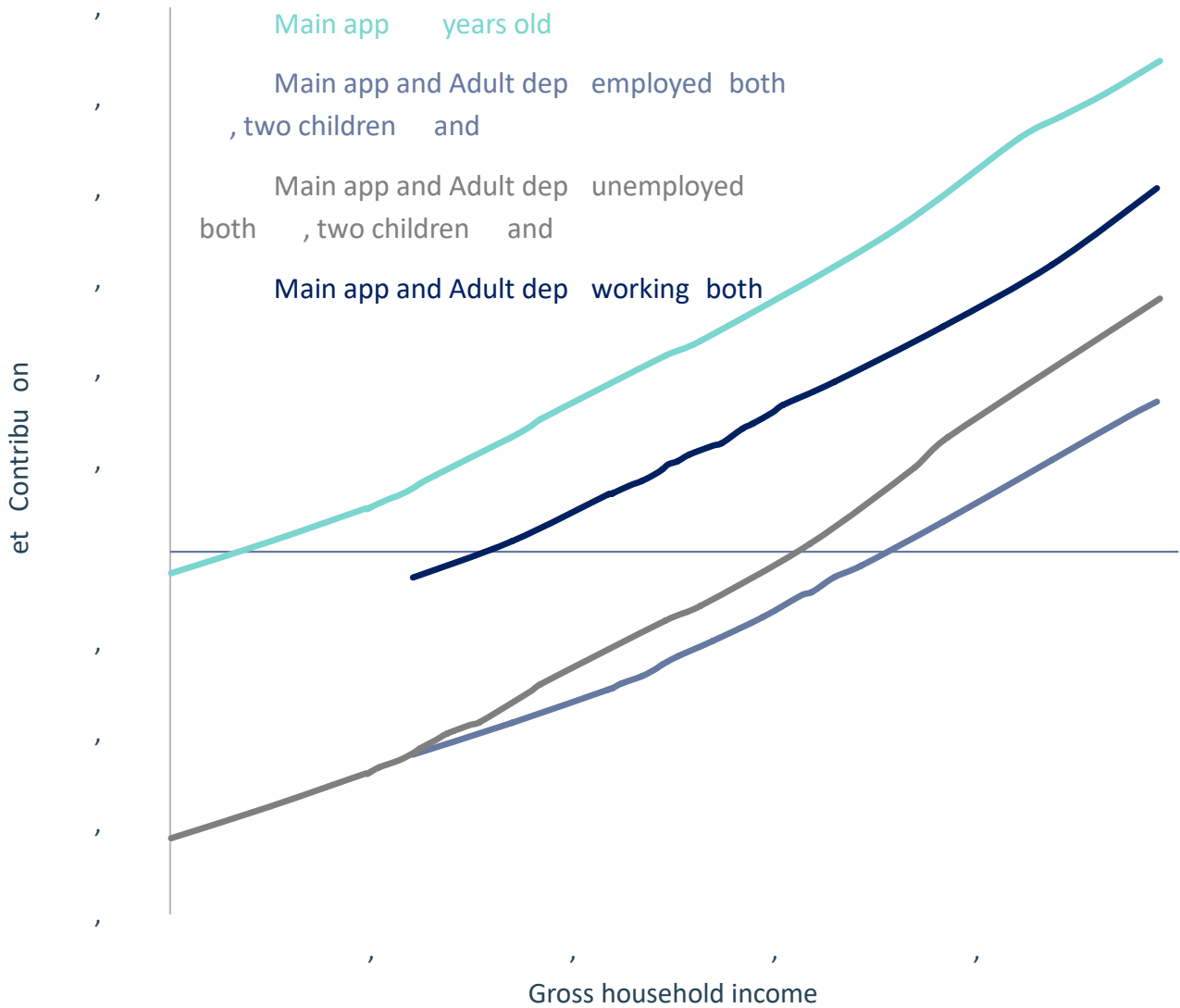


Source: MAC analysis of Home Office Management Information, April 2022- March 2023.

Breakeven analysis

Alongside understanding the net fiscal impact of the average Skilled Worker, we can estimate the income level at which a migrant household would have been a net positive contributor. This depends on a variety of factors including household composition, age, visa type and the value of remittances paid. Therefore, we present approximate figures to reflect the dependence upon a variety of factors. This section presents the net fiscal impacts of four stylised households of a typical migrant on the SW visa.²

Figure 2.10: Stylised household breakeven analysis



Source: MAC analysis of Home Office Management Information, April 2022–March 2023.

² Note we only consider the working age lifecycle of the main applicant, with retirement excluded. This is because visa is accessible only by those of working age.

A household comprising a single main applicant with no dependants (represented by HH1), would have needed a gross household income of approximately £10,000 to have a positive net fiscal impact. This figure may seem surprisingly low, given that workers on a £10,000 salary pay no direct taxes and will have relatively low indirect tax payments. The main explanation is that some taxes and revenue (e.g. gross operating surplus) are allocated on a per capita basis (or equivalent). This highlights the potential disadvantage of using the average approach to identify cut-off points – and we will consider in future work alternative approaches to such analysis. Perhaps more informative is the ability to see how rapidly the net positive contribution rises as gross household income increases. So, for example, a single main applicant earning £100,000 per year is estimated to have a net positive fiscal contribution of £55,000. It is worth noting here that a main applicant with an earning of £10,000 would not be eligible for the SW route, but this is presented here to show the breakeven point for a positive net fiscal impact.

The breakeven level of household income increases substantially when we consider households with multiple members (HH2 and HH3), as we have to account for the additional demands this household places on government expenditure. In both of these examples, there is a partner and 2 children. In HH2, the adult dependant is working as well as the main applicant³ whereas in HH3 the main applicant is the only earner in the household. The breakeven point for HH2 is around £75,000. This is around £10,000 higher than the breakeven point for HH3 which is estimated to be approximately £60,000. The reason for the difference is the different ways in which the overall household income is comprised between HH2 and HH3. In HH2 there are 2 earners, this means that in comparison to HH3 where there is only 1 earner, for equivalent levels of household income, the tax contributions for HH2 will be lower as household income is split between 2 earners. By splitting household income, HH2 receives 2 tax free allowances compared to only 1 for HH3 and the higher rate of tax threshold, in terms of household income, will be reached later by HH2. Therefore, for every equivalent level of gross household income, HH3 will be paying more tax and so will have a lower breakeven point.

However, although the breakeven point for HH3 is lower than HH2, with only one earner in the household it is less likely that this household will be a net fiscally positive contributor. This is because the main applicant must earn a salary of £65,000 to breakeven. In comparison, in HH2, the main applicant only needs a salary of £50,000 to break even, as the adult dependant earns a wage of £24,000.

Finally, HH4 models the situation of a Skilled Worker at the later stages of their working lifecycle with a working partner but no dependent children. The breakeven point is lower than for HH2 and HH3 at around £34,000. This is above the breakeven level of household income for HH1 reflecting the higher government expenditure for a 2-person couple (HH4) compared to a single-person household (HH1). In addition, the people in HH4 are both older than in HH1, increasing the healthcare component of expenditure.

³ It is important to note that given Skilled Worker main applicants must be employed by definition, the bottom region of the HH2 curve is unfeasible. This is because in HH2, the adult dependant is working, so at a minimum household income is £24,000. However, it must also be the case that the Main Application in HH2 is working, therefore household incomes less than £44,000 are impossible as the minimum income for the Skilled Worker visa is around £20,000. The same reasoning applies for the scenario in HH4. These regions are both still shown in the chart to explain the overall relationship between household income and fiscal contribution.

Summary

We estimate that a migrant on the SW visa contributes more through tax receipts than the UK average in FY 2022/23 and once government expenditure is taken into account, it can be seen that on average they had a significantly higher positive net fiscal impact. This is unsurprising given the relatively young age profile of those on the SW route, the rules on NRPF, and the level of salary thresholds required for the visa.

There is variation within the Skilled Worker route, however. The typical household for a Skilled Worker in the H&C route has a lower positive net contribution than for the typical household of workers outside this route due to the relatively lower incomes and higher number of dependants of those on the health and care route. However, health and care Skilled Workers are helping to fill a gap in the domestic labour market in this vitally important sector, where the value of the workers extends beyond just their fiscal contribution. More on this can be found in the MAC's [2022 review of adult and social care](#).

Future work

We will publish a fiscal methodology paper to follow this report which will outline the full details of the static approach taken to estimate the fiscal contributions of migrants. We plan to further develop our methodology over time and include new data sources as they become available. Developments to the static fiscal model may include expanding the cohort of migrants and expanding the time period captured in the modelling. This static model can also be developed to answer different policy questions should these arise in the future.

We also plan to add some sensitivity analysis, including alternative assumptions. For example, we can alter assumptions about the allocation of pure public goods expenditure like defence and aid, and the inclusion of business rates and council tax on the revenue side.

In addition to the static fiscal model, we intend to develop a dynamic model to understand the longer-term and lifetime fiscal impacts of migrants. Whilst a snapshot can provide a glimpse into the fiscal contribution of migrants at any point in time, a dynamic model is required to contextualise these figures and understand the lifetime impact of migrants as they progress through the UK labour market.

Chapter 3: MAC review of the Seasonal Worker visa scheme

Summary

- We published our review of the Seasonal Worker visa scheme on 16 July 2024. In the review we considered:
 - The economic need and impact of the scheme;
 - How the scheme is constituted, organised, and administered;
 - The scheme rules and costs;
 - How the scheme is meeting the needs of employers;
 - The potential for exploitation;
 - Identification of international best practice; and,
 - Reviewing other studies and reviews.
- As part of our research, we ran an online Call for Evidence, undertook research interviews and site visits, met with employers, employees, and other organisations, analysed relevant datasets, and observed a seasonal worker recruitment event in Kyrgyzstan.
- We made recommendations around key ‘umbrella’ themes
 - Provide certainty on the future of the scheme;
 - Allow for a more flexible visa;
 - Fairer work and pay for workers;
 - Tighten and enforce employee rights; and,
 - Give consideration to the Employer Pays Principle.

Introduction

We [published a review of the Seasonal Worker Scheme](#) (SWS) on 16 July 2024. This chapter summarises the review. The SWS began in its current form in 2019, and the MAC has previously supported the general principles behind such a route including a shortage of domestic seasonal labour and food security. Given the horticultural sector’s reliance on migrant seasonal workers and that the scheme had been running for some time, we believed it was an appropriate opportunity for us to examine how well the scheme was working for employers, workers, and society more broadly. This was our first major self-commissioned review. We considered the economic need and impact of the scheme, how the scheme is organised, its rules including costs, the potential for exploitation, international best practice and other relevant studies and reviews. In doing so, we drew on a range of evidence, including Home Office data, UK Visas and Immigration site inspection reports, the Department for Environment, Food and Rural Affairs (Defra) Seasonal Worker Survey and scheme operator data. We also used information from our online [Call for Evidence](#), meetings with employers and others including the Home Office, Devolved Governments and representative organisations.

We commissioned our independent research contractor, Revealing Reality, to undertake 30 in-depth employer interviews and site visits with both users and non-users of the SWS, and conducted a field trip to Kyrgyzstan where we observed a recruitment event and spoke to both new and returning Seasonal Workers in addition to members of the Kyrgyz government. This chapter provides a summary of the report.

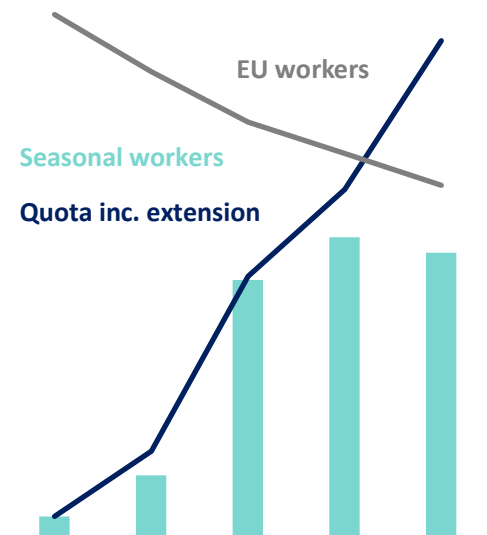
The Seasonal Worker visa scheme

The SWS enables migrant workers to come to the UK to undertake seasonal horticulture and poultry production work. Horticulture workers can stay for a maximum of 6 months in a 12-month period, whilst poultry workers are restricted to the Christmas peak season (approximately early-mid October to 31 December each year). Whilst the previous government pledged that the scheme [will run until at least 2029](#), the current government has only thus far [confirmed visa numbers for 2025](#).

Aside from a 5-year gap, a scheme for seasonal workers to come to the UK from overseas has existed in one form or another since the end of the Second World War, with the current iteration – the SWS – having commenced as a pilot of , visas in in anticipation of the UK’s exit from the European Union EU and associated ending of Freedom of Movement (FoM) for EU nationals. This has left the SWS as one of the few remaining work routes for low-wage migrants to come to the UK. The sector’s historic reliance on migrant labour in lieu of a domestic workforce, and arguments around domestic food security, have previously been cited in justification for having such a scheme. The scheme was expanded in 2020 to 10,000 places, and after the ending of FoM at the start of 2021, the scheme’s quota gradually increased year-on-year to 2024. The quota for 2023 and 2024 allowed for at least 45,000 places per year in horticulture (plus another 2,000 places for poultry workers), to be increased by 10,000 visas for horticulture workers “[should there be demand](#)”. The quota for 2025 will however see a slight reduction of horticulture visas to 43,000. Further detail for quotas to 2029 has not yet been set out. Separate Seasonal Work Visas (SWV) for the poultry sector were introduced in late 2021 following labour shortages in the sector.

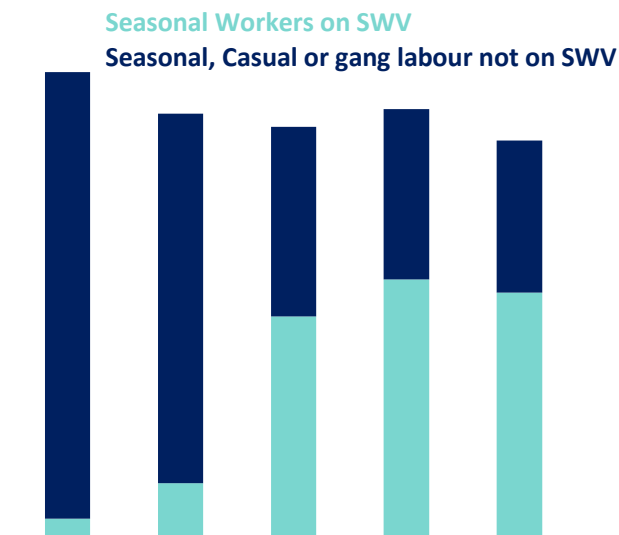
Figure 3.1 gives an indication of the growth in numbers of seasonal workers coming to the UK since the start of the current iteration of the scheme in 2019. The increase in the visa quota since 2019 has also coincided with a decrease in the number of EU workers within agriculture which has fallen from 38,000 in the average month in 2019 to 25,000 in 2023 (this data captures all EU workers within agriculture and therefore includes both seasonal and permanent workers). The observed decrease will not only be driven by reduced EU immigration post-FoM, but also an exit of EU workers previously working in the sector. The total number of Seasonal Worker Visas issued in 2023 was 33,000, far below the absolute maximum 57,000 annual quota set by the previous government for both 2023 and 2024.

Figure 3.1: Seasonal visa and EU workers in agriculture



Source: Home Office immigration stats, 2019-2023 and Office for National Statistics (ONS) UK payrolled employments by nationality, region, and industry, 2023, indexed (2019=100, right axis)

Figure 3.2: Growing importance of the Seasonal Worker Visa



Source: Home Office immigration stats, 2024 and structure of the agriculture industry Defra, 2024. Left axis = thousands. Note: Seasonal, casual or gang labour not on Seasonal Worker Visa (SWV) includes migrants of other statuses with right to work in the UK, such as EU settled status.

Prior to the war in Ukraine, the majority of workers on the scheme came from Ukraine with a smaller share from Russia and Moldova. Since 2022, there has been a marked shift in source countries, with the majority now coming from Central Asia (Kyrgyzstan, Tajikistan, Kazakhstan, and Uzbekistan). The source countries are to an extent determined by the degree to which assurance is possible over the recruitment process in countries of origin; after an initial trial in 2021 and 2022 resulted in several reports of illegal fees being paid to in-country agents, scheme operators broadly stopped recruiting in Indonesia and Nepal.

The UK's exit from the EU and the ending of FoM has eliminated much of the alternative casual labour force, as shown in Figure 3.2 which demonstrates the increase in the share of the SWV workforce whilst the total employment of seasonal, casual or gang labour has been consistent since 2019. In other words, since its reintroduction, the SWS has substituted for workers with other statuses, such as EU citizens who arrived under FoM.

Employers' difficulty in attracting domestic workers even during periods of high unemployment is due to several factors. Many of the roles are relatively unattractive, requiring challenging manual labour often in cold, muddy conditions. In addition, seasonal jobs by their nature are generally only available for part of the year. UK workers generally prefer permanent jobs with more stability and better long-term prospects, and in a tight labour market these options exist. These jobs are often located in areas of sparse population, so the available labour pool is small, and many jobs within the sector also offer relatively low pay. The reliance on migrant labour suggests that pay is not sufficiently high to attract British workers to these roles, given the alternative options available to them.

UK food security

The level of food produced domestically can affect the UK's food security. There is an argument that, despite a relatively small contribution to the UK economy, agriculture plays a public value role in maintaining food security through supporting domestic food production levels.

Food security is defined by [Defra](#) as “ensuring the availability of, and access to, affordable, safe and nutritious food, sufficient for an active lifestyle, for all, at all times”. Self-sufficiency is not the same as food security; in a situation where the UK was 100% self-sufficient in the production of fruit and vegetables, if supply chain issues arose (such as a new pest killing a large number of crops) our overreliance on domestic production would make the UK less food secure.

As referenced in the previous [government's food strategy](#), being part of a global food system improves our food security by diversifying our supply sources, giving us access to products that cannot be produced domestically and allowing comparative advantage to provide us with cheaper products. However, a climate of political uncertainty and the influence of climate change on salination, water shortage and soil erosion mean that any over-reliance on sourcing food from other countries is vulnerable to potential shock. A balance is therefore needed where we support enough of our domestic industry so that we are not dependent on other places, whilst also not subsidising unproductive domestic production and missing out on a variety of fruit and vegetables as well as the potential gains from comparative advantage.

It is likely that, in the future, the domestic production of fruits and vegetables will benefit the food security of the UK through helping to ensure the availability of safe and nutritious food. This societal 'food security' benefit provides some justification for government support in the agricultural (and specifically) horticultural industry.

Automation

An alternative solution to a lack of willing and able domestic workers could be to invest in automation processes which could reduce the horticulture sector's current reliance on seasonal labour. Improving automation also has the potential added benefit of improving productivity in the sector, an aim outlined in the previous government's food strategy. There are however barriers associated with adopting new technology as an alternative to labour.

For businesses to incur costs investing in technology that will have long-term benefits they require a level of certainty that the business will remain viable when the benefits are realised. [Defra's automation in horticulture review](#) argues that the year-to-year confirmation of the SWS has acted as a disincentive to farmers to invest in automation. The first recommendation in the review is that the SWS should be extended as it will incentivise long-term capital investments, including in automation technology. Automation in horticulture is still emerging and developing, and both availability of automated processes and their adoption at individual sites is likely to be piecemeal, with other parts of the process continuing to require labour.

However, access to (relatively) cheap labour allowed by the SWS could itself become a barrier to automation. If farmers are not certain they will have an adequate workforce, they are more likely to purchase machinery that will replace labour to reduce the risk of crops going unharvested, assuming such machinery exists.

The automation process in horticulture requires significant capital investment both in Research and Development and in the equipment itself. Whilst this initial outlay can result in net benefit in the future, many farms argue they do not have sufficient capital to invest in new technologies. Defra's review also states that it can be challenging to raise funds through external investors or grants, suggesting the technology is insufficiently advanced, and therefore carries unpalatable risk, discouraging investment. Whilst there is evidence of grants offering support these are often unsuitable for horticultural automation.

Whilst there are certainly challenges in increasing automation in agriculture, progress has been made globally. Israel and the Netherlands both provide potential case studies where there have been significant advancements in automating agricultural processes through investment in technology. This has led to prototypes becoming developed, with the potential to replace labour for much of the growing process.

Even though automation is clearly not a quick fix to replace seasonal workers, in the long term it may be a viable option to reduce the agricultural sector's reliance on labour overall. Furthermore, it has the potential to improve productivity within the sector, helping to meet the aims of the previous government's food strategy.

Social impacts of the scheme

few social issues are created for the UK's resident population by the W. % of workers are accommodated on-site and will spend most of their time living and working there, with limited contact with local communities. Workers do not create significant pressure on local housing supply and are unlikely to be heavy users of the local transport system (if it exists) nor healthcare services, with just 1 GP and 1 hospital visit per 100 workers on average.

There may in fact be social benefits of the scheme. In an industry where a considerable amount of illegal working could exist, a seasonal worker scheme reduces the likelihood of using illegal workers, where exploitation and negative social impacts would be greater. Further, a lack of the scheme could have severe social impacts on rural communities – some larger horticultural businesses are major local employers, therefore the loss of one employer would have a big impact on often rural areas where there are fewer other employment opportunities. Even where there is not a large horticulture business in the area, there can be a clustering of smaller horticulture businesses, meaning again a significant impact at the local level of a reduction in the size of this sector.

Exploitation

The Director of Labour Market Enforcement has consistently identified agriculture as a high-risk sector for labour market non-compliance. In part this is because of the vulnerability of workers. Having tight immigration restrictions (such as temporary work visas like the SWS), in addition to being in a high-risk sector, can compound vulnerabilities *"compelling them into coercive working relationships and eroding their ability to negotiate decent work"* (Focus on Labour Exploitation (FLEX, 2023)).

A number of studies identify migrants as a vulnerable group due to situational, structural, and/or personal/protected characteristics; risk factors specific to the SWS include being temporary and short-term, based rurally using employer-provided accommodation, a lack of clarity on enforcement responsibilities, a lack of worker knowledge about their rights, and a lack of English language skills. Seasonal Workers, typically from

comparatively poor countries, pay high, front-loaded costs for visas and travel, creating an imperative to earn this money back and a disincentive to report poor treatment for fear that their employment or their right to work is taken away. Neither scheme operators nor other agencies are allowed to charge recruitment fees to workers, but there have been previous reports of Seasonal Workers paying large sums to rogue agents and thereby creating debt bondage.

Our recommendations

Our recommendations were structured around four broad ‘umbrella’ themes, namely

- 1. Provide certainty around the future of the scheme** – further certainty is required from government regarding the long-term future of the scheme, which can be achieved by confirming visa numbers and any further extension to the scheme on a rolling annual basis – effectively giving employers and businesses 12 months’ notice if the scheme is to close. The criteria by which future visa numbers could be tapered must also be made clear. We did not recommend changes to the scheme’s eligible occupations.
- 2. Allow for a more flexible visa** – greater flexibility would enable employers to plan more efficiently and for workers to maximise their earnings without adding complexity to the route. This can be achieved by shortening the current ‘cooling-off’ period from the current 90 months to 60 months and allowing workers to work any 6-month period in an individual calendar year.
- 3. Fairer work and pay for workers** – a lack of pay data for those on the visa makes effective monitoring of pay very difficult. We recommend that Seasonal Workers are guaranteed at least 2 months’ pay in order to cover their costs in coming to the UK and reduce the risk that low-income workers are currently required to take. Workers are subject to pension auto-enrolment in the UK. They are also typically eligible for a refund of income tax given their limited time in the UK, which is frequently difficult to obtain due to only being able to start the claim once they have finished employment and returned to their home country. This process needs to be made clearer and simpler.
- 4. Tighten, communicate and enforce employee rights** – Seasonal Workers coming to the UK are particularly susceptible to exploitation due to the nature of the work in often isolated rural areas, and the fact that they frequently speak little or no English. Separately, we have heard of instances of migrants paying high fees abroad to unofficial agents, taking loans or otherwise accruing large debt to pay for the costs of coming to the UK, increasing the incentive to accept exploitative treatment. Some are concerned that if they make a complaint, they may lose their visa and potential earnings. This means there is an inherent imbalance of power in comparison to employers. It is positive that some employers are undertaking significant steps to improve the welfare of those on the route, but there also appear to be some employers who are not doing so. To compound matters, the current enforcement landscape for Seasonal Workers is fragmented and does not offer an adequate safeguard of seasonal worker rights. We recommend a more coordinated approach between the bodies currently

involved in worker welfare and a clearer delineation of responsibility for each. Worker rights must also be clearly communicated to workers in their own language, and we highlight where better data can be used to strengthen monitoring and enforcement.

5. Give consideration to the Employer Pays Principle – Seasonal Workers currently bear the cost of both their visa and their travel to and from the UK; costs which can be considerable, and which increase the risk of debt bondage. Further work is needed to investigate how these costs might be more equitably shared along the supply chain. We note that the SWS taskforce has commenced work with Defra on a [EPP feasibility study](#) and we await the results with interest.

Ultimately, we believe that if the government intends to maintain current levels of domestic food production, then there is a clear need for the Seasonal Worker Scheme in the short-to-medium term. This will provide certainty to businesses who operate in a sector unusually reliant on migrant labour, given the lack of domestic workers and the seasonal and rural nature of the work. If the government wishes to reduce the reliance on migrant labour whilst maintaining domestic food production and supporting rural economies in the long-term, then it must ensure there are appropriate policies and an environment that encourages automation of these roles.

We are awaiting the government's response to the review.

Annex

Glossary of terms for the Fiscal analysis of Skilled Worker visa chapter

Glossary of terms for Fiscal analysis of Skilled Worker visa chapter

Term	Definition
All other revenues	A collection of other smaller taxes not obviously applicable to any specific group of individuals and so are apportioned per capita (e.g. Landfill tax).
Business rates	Tax due on property occupied by businesses. As with council tax, business rates are due on empty commercial property (certain exemptions apply).
Capital Gains tax	A tax on profits received from selling or disposing of assets. It is paid when the sale results in a gain above the exemption amount.
Congestible public goods	A good that becomes rival and is diminished at a certain point of use. For example, roads are a congestible public good, because congestion reduces their usefulness for any additional cars using them.
Corporation tax	A tax paid by businesses on profits made.
Council tax	Tax paid on properties in the UK. Council tax is due on a property even if it is unoccupied (Certain exemptions to this exist such as if the property is undergoing major structural repairs).
Direct taxes	Taxes paid directly on earnings, the main direct taxes are Income tax and National Insurance.
Dynamic fiscal analysis	Dynamic fiscal analysis captures the fiscal impacts of migrants over their lifetime to provide a fuller picture of fiscal impacts and to show how these change over time.
Gross operating surplus (GOS)	This revenue received by the government as a result of its functions/ assets (e.g. profits made on transport). GOS also includes any interest and/or dividend received by the government as a result of the assets it holds. It is not a tax in the traditional sense as it is not paid by the public but works in the same way as a tax in that it is a government receipt that increases its budget.
Indirect taxes	Taxes paid when consuming goods and services (e.g. VAT and fuel duty).
Pure public goods	A good that can be consumed or used by everyone without excluding anyone from using it, it is non-rival and non-excludable.
Remittances	Payments sent by migrants back to their country of origin.
Static fiscal analysis	Static fiscal analysis captures the fiscal impacts of migrants in a specific time period, i.e. a snapshot of fiscal impacts.

Summary of Methodology for the Fiscal analysis of Skilled Worker visa chapter

Government expenditure

Government expenditure simply refers to spending by the government. As Skilled Workers and their dependants reside in the UK, they benefit from nearly all elements of government expenditure except that they do not have recourse to public funds due to the specific visa conditions. HM Treasury publish accounts of this spending annually in their [Public Expenditure Statistical Analyses \(PESA\) reports](#). To assess how much the government spent on Skilled Workers and their dependants in FY22/23, our methodology uses the [2023 PESA](#) and sorts government expenditure on services by sub-function into relevant components. The components we consider are:

1. Public goods (such as defence and aid)
2. Debt interest
3. Police services
4. Health
5. Education
6. Social protection
7. EU transactions

A detailed breakdown of the contributing sub-functions will be included in the fiscal methodology paper once this is published. We take a top-down approach to obtain our government expenditure estimates, considering how many people are 'using' each component and therefore how much the government spends providing each per applicable capita. The total government expenditure estimate for those on the Skilled Worker route in FY2022/23 is obtained by multiplying the expenditures per applicable capita by the number of Skilled Workers and dependants eligible for that spend.

Tax receipts

Tax receipts refer to the revenue obtained from migrants for the tax they pay. During their time in the UK, Skilled Workers will need to pay tax and so will any dependants that are working during this time. The amount of tax they pay will be dependent on their characteristics (such as income, industry etc.) and so each migrant will pay a different amount of tax. The components we consider are:

1. Income tax
2. National Insurance Contributions
3. Indirect taxes
4. Corporation tax
5. Capital gains tax
6. Gross operating surplus, interest, and dividends
7. All other revenues

A detailed breakdown of the contributing sub-functions will be included in the fiscal methodology paper once this is published. We take a bottom-up approach to obtain our tax receipts estimates as each migrant will be subject to different taxes, based on their characteristics. The key dataset used here is Certificate of Sponsorship data to gain information on migrant earnings. Total tax receipts are summed by aggregating each migrants' contributions and then divided by the sum of migrants to develop a per capita estimate of tax receipts.

Migration-related fee revenue

Each visa or certificate of sponsorship application incurs a fee for migrants, or their sponsor, to pay. This fee produces revenue for the Home Office and contributes to the overall economic impact of migrants. There are 4 components that migrants, or their sponsor organisation, would need to pay for when applying for a visa.

1. The visa application fee
2. Immigration Health Surcharge
3. Immigration Skills Charge
4. Certificate of Sponsorship fee.

Our methodology aims to estimate the annual revenue generated through these charges by assigning a cost to the individual migrant and dependant for each of the charges they pay in the given fiscal year. To estimate the costs paid by individuals we have used *D* ata to consider the individual's characteristics on which the amount paid depends, including their length of stay, type of Skilled Worker visa, and other key characteristics. Where data was unavailable to determine the fee paid by the individual, we have scaled up from available data for the population to provide an estimation.

External engagement

During the development of our static model, we engaged with the Institute for Fiscal Studies and the Office for Budget Responsibility to request feedback on the modelling approach. We are grateful for the comments provided by both institutions on the methodology and where possible we have worked to action these and will look to action these for future iterations of our modelling.

Methodology comparison

The section below outlines where our methodology differs from 2 previous studies estimating the fiscal impact of immigration in the UK that have largely informed our work, [Dustmann and Frattini \(2014\)](#) and [Oxford Economics \(2018\)](#). For each paper we consider differences in expenditure and tax separately.

Dustmann and Frattini (DF)

An overarching difference between our paper and DF is the classification of children. DF assume a child to be anyone under the age of 16, our methodology assumes a child is anyone under 18 (as does Oxford Economics).

Expenditure

The key differences between our methodology on government expenditure and Dustmann and Frattini (2014) are:

Public goods	D do assume that migrants do not affect the cost of providing pure public goods and assign these to natives only. We assign all public goods per capita.
Police services	D allocate immigration policing to migrants only, but we allocate this per capita.
Primary and secondary education	D assume that children are 5 and under but we assume children are 3 and under, this means that we account for two extra years of education which is likely to increase a migrant's cost to public finances in comparison to D's methodology.

Tax

The key differences between our methodology on tax receipts and Dustmann and Frattini (2014) are:

Direct taxes	D do not account for pension contributions before calculating direct tax contributions Income TAX and I Cs. Our methodology nets off estimated pension contributions from gross earnings before calculating direct taxes.
Remittances	D do not include estimates for remittances, assuming in their central estimate that consumption patterns between UK born population and migrant population are similar for equivalent income levels.
Council tax, Business rates, Inheritance tax, Capital gains tax	D estimate for migrant population, we assume to be 0.
Corporation tax	D allocate per capita, we allocate on income share applying a weighting based on industry worked.

Oxford Economics

Expenditure

The key differences between our methodology on government expenditure and Oxford Economics are:

Police services	Oxford Economics allocate immigration policing to migrants only, but we allocate this per capita.
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Tax

The key differences between our methodology on tax receipts and Oxford Economics are:

Direct taxes	Oxford Economics account for investment income and estimate income from self employment when calculating direct taxation. Our methodology assumes investment income is 0, we did not estimate direct taxation on self employment income.
Council tax, Business rates, Inheritance tax, Capital gains tax	Oxford Economics estimate for migrant population, our method assumes these are 0 for migrants.

Corporation tax

Whilst both methodologies allocate based on contribution to earnings, we include a weighting for corporation tax based on the industry in which the killed Worker migrant is working.