



NEWS RELEASE

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NEWS RELEASE

MIGRATION ADVISORY COMMITTEE PUBLISHES RECOMMENDATIONS TO TIGHTEN SKILLED WORKER VISA ROUTES TO REDUCE NON-EU MIGRATION

EMBARGOED UNTIL 10:30AM ON TUESDAY 19 JANUARY

The Migration Advisory Committee (MAC) has today (Tuesday, 19 January) recommended the Government uses higher salary thresholds to prioritise higher value, skilled migrants within the Tier 2 visa route.

The MAC was commissioned by the Government to advise on a number of potential changes to Tier 2 to address concerns about the rising number of migrants in that route and reliance on them to fill shortages in the labour market.

In its report, *Review of Tier 2: Balancing migrant selectivity, investment in skills and impacts on UK productivity and competitiveness*, the Committee found that using price would be the most effective way to prioritise and target the specialist and scarce skills that non-EU migrants bring to the UK as well as to address the potential disincentives to up-skill the domestic labour market.

As part of its recommendations, the MAC suggests increasing the existing minimum salary threshold for all Tier 2 migrants, introducing an Immigration Skills Charge for employers and tightening the Intra-Company transfer route to prioritise highly specialist staff.

In order to restrict volumes of Tier 2 migrants, the MAC proposes raising the overall minimum salary threshold from the current £20,800 to £30,000. This level of pay is a better representation of the higher qualifications now required to be eligible for this route. The Committee recognises that some migrant workers, mostly in the public sector, are paid under the threshold and suggests a phased increase in the salary thresholds. A lower threshold, set at £23,000, should be offered to graduates.

The MAC's analysis showed Tier 2 migrants are generally paid more than their UK counterparts, supporting the view that migrants in this route bring scarce skills that are of high value to the UK. However, the analysis found that within some occupations - primarily in the public sector - migrants are often paid significantly less than similar UK workers, sometimes due to financial pressures.

As part of its recommendation to make the Tier 2 route more selective, the MAC strongly supports the introduction of an Immigration Skills Charge (ISC). This will incentivise employers to reduce their reliance on migrant workers and encourage them to invest in training UK employees. This charge should be in addition to raising salary thresholds.

While the level of the ISC is a matter for the Treasury, the MAC suggests that an upfront charge of £1,000 per year for each Tier 2 migrant employed by companies in the UK. This could provide £250m for skills funding annually and have a significant impact on employer behaviour, according to the MAC.

The MAC has also recommended an overhaul of Tier 2 (Intra-company Transfer) route to reflect a divergence in the use of the route. The conventional use of the route, where a small number of highly specialised staff are brought into the UK to impart their skills or gain experience, was found to be of significant benefit to the UK. However, the route is also being used to bring in migrants to service third-party contracts, predominantly within the IT sector, where the benefits are less clear cut. Third-party contracting cuts companies' IT costs but does not sufficiently contribute to the stock of IT skills within the UK.

Therefore, the MAC has recommended that third-party contracting should become a separate route under Tier 2. In order to ensure the route is used by highly specialised migrants, the salary threshold should also increase to £41,500, an effective proxy for senior managers and specialists.

Professor Sir David Metcalf CBE, Chair of the MAC, said:

"Skilled migrant workers make important contributions to boosting productivity and public finances, but this should be balanced against their potential impact on the welfare of existing UK residents.

"Raising the cost of employing skilled migrants via higher pay thresholds, and the introduction of an Immigration Skills Charge, should lead to a greater investment in UK employees and reduce the use of migrant labour."

In its report, the MAC recommends

- The minimum salary threshold should rise to £30,000 to reflect the current degree-level skill requirement for Tier 2. As the typical pay of migrants in some occupations, such as healthcare and teaching, is below the new proposed threshold the MAC recommends this new minimum is phased in.
- An Immigration Skills Charge (ISC) should be introduced, to act as a skills levy on firms using migrant labour. The revenue accumulated from the charge could be used to help raise skills in the domestic jobs market through training, and decrease the demand for migrant labour.
- That use of the Tier 2 (Intra-company Transfer) route for third-party contracting be moved into a separate route and a higher salary threshold at £41,500 be applied.
- There should be no automatic sunseting of jobs on the Shortage Occupation List (SOL), but employers should provide sufficient evidence when an occupation has been on the list for a number of years.
- They do not recommend that Tier 2 (General) is restricted only to occupations on an expanded shortage occupation list.
- They do not recommend restricting automatic work rights for dependents.

NOTES TO EDITORS:

1. For more information, or to request an interview with Sir David Metcalf, contact Jennifer Nolan on 020 7035 3535.
2. A full copy of the report is available here:
<https://www.gov.uk/government/publications?departments%5B%5D=migration-advisory-committee>
3. Tier 2 is the primary route for economic migration to the UK. It consists of four routes: Tier 2 (General), Tier 2 (Intra-company Transfer), Tier 2 (Minister of Religion) and Tier 2 (Sportsperson). The MAC has not examined the minister of religion or sportsperson routes as part of this report.
4. The Tier 2 (General) applies to two categories of skilled workers: those coming to fill jobs advertised under the Resident Labour Market Test (RLMT) and those coming to take up jobs on the Government's Shortage Occupation List (SOL). Since April 2015, all Tier 2 (General) migrants must earn an annual salary of at least £20,800. There are also occupation-specific minimum thresholds and where these are greater than £20,800, they must provide the minimum salary requirement for that occupation.
5. The Tier 2 (Intra-company Transfer) route allows multinational companies to transfer key personnel from their overseas branches to the UK for temporary periods, rather than to fill permanent UK vacancies. There are four categories of user of the route: long-term staff (transferring into the UK for up to five years), short-term staff (transferring into the UK for up to 12 months), graduate trainee (transferring into graduate trainee programmes for specialist roles) and skills transfer (transferring into the UK to gain skills and knowledge needed to perform their role overseas, or to pass on skills to UK colleagues). As with Tier 2 (General), there is an overall minimum salary threshold for each sub route: £41,500 for long-term staff, and £24,800 for short-term staff, graduate trainees and skills transfer routes.
6. The Migration Advisory Committee (MAC) advises the government on migration issues. It is a non-statutory, non-time-limited, non-departmental public body, sponsored by the Home Office. The MAC is made up of a chair and four other independent economists, who have been appointed under rules relating to public appointments laid down by the Office of the Commissioner for Public Appointments (OCPA). Additionally, the Commission for Employment and Skills and the Home Office are represented on the Committee.