

# Global Britain

A fair and managed immigration system fit for the post-Brexit economy

November 2018





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# Foreword

**With the UK due to leave the European Union on the 29 March 2019, there are many political and economic consequences that will require changes to policy: our approach to immigration is one of the most fundamental. Despite the uncertainty around the details of our departure, the Government has made its intention to end free movement of citizens from the European Union (EU) clear.**

Whatever the politics, employers are pragmatic and recognise both the public's concern about open borders and the part business must play in keeping the economic wheels turning and making post-Brexit Britain a success.

Currently, almost a fifth (18%) of all workers in the UK were born outside the country – they work all over the country, across all sectors, and all skills and salary levels. The evidence is unequivocal: immigration has played a substantial part in driving our country's economic growth. Out of these 5.6 million foreign workers, 2.3 million are from the European Economic Area (EEA). Many of them are employed by organisations which may never before have had to deal with UK immigration policies and procedures. Our immigration system, which has often been clunky and difficult to navigate, will have to adapt – and improve – to manage an increased volume of applications.

We support the Government's starting point that the new immigration regime should not discriminate by country of origin, unless part of a wider trade deal: business needs access to people and their talent at all levels – from the EU and beyond.

It is clear that we can learn much from the experience of other advanced nations facing similar challenges to the UK. Our research shows that, comparatively, the UK system performs well, yet there is more work to do.



## We now have an opportunity to reset our immigration system to ensure it is fit for the post-Brexit era.

### First, the new regime will need to manage a broader range of workers, including those from the EEA.

At present only high-skilled non-EEA workers are eligible for sponsorship under the current Tier 2 rules. With over two-fifths (42%) of all foreign workers in the UK currently engaged in medium-skilled jobs, applying the same Tier 2 rules in a new system would be manifestly damaging to our economic prospects and a range of sectors - from higher education to construction to hospitality, and many more - as 64% of all workers in the UK are paid below the current Tier 2 threshold of £30,000. We believe the Government's independent Migration Advisory Committee (MAC) recommendations on how these rules should change - with new skills qualification levels and, critically, the abolition of quotas - are a big step in the right direction.

### Second, the British economy needs a smooth transition to these new arrangements to allow businesses the time to adjust.

This means taking a sensible approach towards lower-skilled migrants rather than bringing down the shutters overnight. The facts are that 16% of foreign workers in the UK are in lower-skilled occupations; the UK and London's unemployment levels are at historically low levels (4% and 4.8% respectively); and there are more than one million unfilled vacancies. Therefore the economy will need a glide path, before measures to tighten flexibilities around hiring lower-skilled EEA workers are introduced. In the meantime, businesses will continue investing in both training and technology to improve productivity to reduce the UK's dependence on unskilled labour from abroad.

### Third, taking back control of our borders requires good data.

We currently have a very poor understanding of who comes here to do what and how long they stay. Better data is crucial in order to set rules for our immigration system and to build greater trust with the public. We believe this should be overseen by an independent agency similar to the Office for Budget Responsibility - an expanded MAC would be an obvious choice.

This report explores in detail how the UK's immigration system can be adapted and improved to create a fair and managed single system for post-Brexit Britain. Our focus is on reforming the current Tier 2 rules to create a new Global Work Route for all foreign workers. Last year, London First put forward its outline proposals for a new system with three routes into the UK for foreign workers, and exceptional talent - set with the right controls. This report develops our thinking on routes one and two, with a new approach to salary and skills thresholds, alongside a new strategic, data-driven approach to the

shortage-occupation list. Our third pathway, covering access for low-volume but high-impact exceptional talent, lies outside of the scope of this report and would be part of a reformed Tier 1 route. Also out of scope is our proposal for a reform of student immigration, particularly the need for a new Post-Study Work visa.

With Brexit just months away, despite the uncertainties, this is an opportunity to reshape our immigration policy to work for the British economy, citizens, and business. We must seize it.



**Jasmine Whitbread**  
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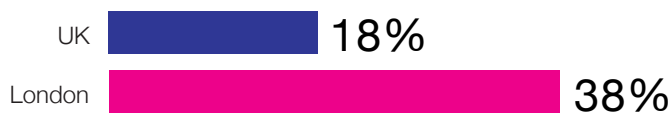
# EXECUTIVE SUMMARY

## Executive Summary

The UK is due to leave the European Union, and this will affect the ability of employers to meet their skills and labour needs

The UK is due to leave the European Union on the 29th March 2019. There are many political and economic consequences that will require policy responses over the next year or two – including immigration. Evidence shows that UK employers and the UK economy have become highly reliant on foreign workers to fulfil the demand for skills and labour.

### Share of foreign workers in the UK labour market



Source: The Migration Observatory: Migrants in the UK Labour Market, July 2018

The UK needs clear, evidence-based policy goals and objectives for the employment of foreign workers to help the UK economy, and a sensible immigration system that takes the needs of the economy and employers into consideration

With total employment at an all-time high, and unemployment at its lowest since 1975, the UK economy depends on foreign workers more than ever to keep growing. Foreign nationals made up 18% of the UK's workforce in 2017, a total of 5.6 million people, of whom 2.3 million are EEA nationals. Compared to the UK average, London is three times more reliant on foreign citizens, with 38% of its workers born outside of the UK.

This report identifies policy solutions for labour immigration to help meet the needs of the UK economy post-Brexit

This report provides an analysis and set of proposals to enable future immigration policy to contribute to economic growth and prosperity across the UK's nations and regions. It examines the UK's current economic and labour market performance, the contribution that foreign workers currently make, and the approach taken to the use of foreign workers in other advanced economies.

### The UK can learn from other countries

Australia and Canada are often regarded as role models for immigration policy. They also have significant levels of immigration: 28.6% of Australia's population are immigrants, and immigrants form 21.4% of Canada's population. Germany also has similar levels of immigration, with foreign nationals comprising 11.6% of the population, compared with the 9.4% in the UK.<sup>1</sup>

### Key lessons from international experience analysing the different policy tools available to shape immigration policy

- Blunt tools used to restrict the number of migrants, such as quotas and high salary thresholds, typically put a drag on the labour market by making it harder for employers to recruit for medium- and lower-paid jobs.
- Skills shortage lists can be useful in addressing both the chronic skills shortages facing the economy and the needs of growth industries, and are used as part of a toolkit for the immigration system. They should not be used as a short-term fix for the general system.
- Effective and streamlined employer compliance systems help to assure Governments that foreign workers are being properly hired within the immigration rules.
- Labour market tests can help to build confidence in the immigration system and mitigate potential negative impacts on existing workers and communities and can be designed in ways which do not create an excessive burden on employers.
- Requiring high minimum skills requirements, like academic degrees, that bear little relation to the range of unfilled vacancies in the country are of limited use if the demand for foreign workers is broad and ranges across various skill levels.
- The success of an immigration policy largely depends on its implementation: its administration, performance management, and communication.
- Governments typically set an overarching objective for an immigration system, whether that be to attract skills in short supply or to reduce overall immigration levels. This objective sets the tone domestically and shapes policies. It also communicates how open and welcoming a country is to the outside world, including to foreign workers.

<sup>1</sup> Sources: See Appendix D

## Recommendations: a five-point approach to meeting the needs of the UK economy

These recommendations set out how the current Tier 2 rules for non-EEA workers should be reformed to create a new Global Work Route for a new fair and managed single system for all foreign workers.



### 1. Take an evidence-led approach, based on business and economic need

**We recommend the Government:**

- abolish the Tier 2 quota;
- continue to work with the ONS and the Home Office to improve the reliability of immigration data; and
- put the MAC on a similar statutory footing as the Office for Budget Responsibility to create an Office for Migration Responsibility (OMR) to act as an official independent migration agency;
- abolish the net migration target.



### 2. Create an employer-led system that works for all skill levels that are in demand in our country

**The Government should:**

- require all foreign workers to have a job before coming to work in the UK;
- set the national salary threshold at £20,155 p.a., the equivalent of London Living Wage;
- maintain national occupational salary requirements for foreign workers, to ensure that they do not undercut national workers and put downward pressure on wages;
- widen the skills threshold to allow eligibility for medium-skilled jobs at RQF3 or above (A-level/advanced apprenticeship level or equivalent) as recommended by the MAC in addition to high-skilled jobs. Seasonal and short-term visa schemes for lower-skilled workers for jobs below RQF3 should also be put in place outside the reformed Tier 2 route to meet demand in specific sectors, such as food and retail; and
- allow foreign workers to move into an equivalent or higher-level job within their organisation or with a new employer without the need for a new work permit.



### 3. Protect existing workers and communities

**The Government should introduce a reformed Resident Labour Market Test, reflecting the wider skills criteria. This means:**

- maintain the Resident Labour Market Test (RLMT) for all medium-skilled jobs at RQF3 and RQF4;
- maintaining the RLMT for these medium-skilled occupations would also include a 'Swiss-style' emergency brake on releasing work permits for occupations where the unemployment rate in the past year was 8% or higher;
- reviewing the operational processes that sit behind the RLMT; and
- remove the RLMT for all medium- and high-skilled jobs, RQF5 and above.





#### 4. Create a forward-looking system that is flexible and responsive

**The Government should reform the shortage occupation list so that:**

- it is aligned with the growth areas and sectors highlighted in the Industrial Strategy;
- it is aligned with the essential labour needs of the country and includes medium- and lower-skilled roles, for example in the health and care sectors; and
- appropriate workers are given fast-tracked access and not be subject to the RLMT or the salary threshold.



#### 5. Make the system more streamlined, fair, and straightforward to use

**To make the system more streamlined and straightforward to use, the Government should:**

- commit to a phased programme to digitise the UK immigration system;
- remove regulations, red tape and documentation that creates unnecessary bureaucracy for employers and Government without adding to control;
- introduce a light-touch sponsorship model for temporary and low-skilled recruitment;
- introduce a third-party sponsorship model for tech and creative start-ups and SMEs;
- introduce clear new immigration rules in plain English;
- implement an effective and responsive helpline staffed by people who have sector expertise; and
- axe the Immigration Skills Charge.

## Glossary of key terms

**The European Economic Area (EEA)** provides for the free movement of persons, goods, services and capital within the European Single Market, including the freedom to choose residence in any country within this area. The EEA was established on 1 January 1994. The contracting parties are the European Union (EU), its member states, and the member states of the European Free Trade Association (Iceland, Liechtenstein, and Norway).

**Foreign worker:** all workers from the EU, EEA/Switzerland, and non-EU countries.

**Freedom of Movement (FoM):** one of the EU's 'Four Freedoms' which allows EU citizens to move freely between member states and to work, live, and study there. This right is guaranteed as long as the individual is not an undue burden on the social welfare system or poses a threat to public safety in their chosen member state. There are special mobility arrangements in place between the EU and EEA countries, as well as Switzerland.

**Labour shortage:** This occurs when the demand for a given type of worker exceeds the number of willing candidates at the prevailing wage and working conditions in that occupation.

**Third country citizen:** A citizen of a country outside the EU, the EEA, and Switzerland.

**Skill levels:** Throughout this report, the skills levels of jobs are referred to as 'high-', 'medium-', or 'lower-skilled' jobs. This definition is made according to the occupation<sup>1</sup> (or type of job) that is undertaken.

- **High-skilled** workers are those who hold 'professional' occupations and high-level positions in various fields. Occupations at this level normally require a university degree or equivalent qualification. This equals RQF 6-8.

- **Medium-skilled** workers are those associated with a range of skills either acquired through apprenticeships, work experience, or through certificates and diplomas. They develop specialised knowledge within their professional field and span the gap between A-level leavers and knowledge-based professionals. This equals RQF 3-5.

- **Lower-skilled** workers are associated with a limited skill set and/or minimal economic value in the work performed. Unskilled labour is mostly characterised by a lower educational and/or training profile and tends to be in the lower salary echelons. However, workers from this group are crucial to the efficient functioning of our economy. This equals RQF 1-2.

**Skills requirements:** Skills requirements refer to a specific acquired education level that is needed to perform a specific occupation.

**Salary threshold and salary requirement:** A salary threshold sets the absolute minimum or flooring level at or above which a foreign worker can be paid to do a job. Salary requirements set the levels at which foreign workers must be paid, at a minimum, to work in specific occupations. Salary requirements are designed to prevent foreign workers undercutting domestic workers. The levels reflect the national average pay rates for all occupations. All foreign workers must be paid at the national salary threshold or the salary requirement for their occupation, whichever is the higher.

**Labour Market Test (LMT):** Labour market tests aim to ensure existing employees are not disadvantaged by foreign workers. A usual requirement includes a period of advertisement and recruitment that is solely open to the domestic workforce.

**EU Blue Card:** The Blue Card is an approved EU-wide work permit allowing high-skilled non-EU citizens to work and live in any country within the EU, excluding Denmark, Ireland, and the UK.





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## I. METHODOLOGY



## Methodology

### Our approach

This report considers how the UK's immigration system can be adapted and improved to create a fair and managed single system for all foreign workers. Our focus is on reforming the current Tier 2 regime to create a new Global Work Route within a new system.

We do not consider here how other routes within a new system might be reformed: for example, Tier 1 – which covers exceptional talent, investors and entrepreneurs; Tier 4 – student immigration; Tier 5 – youth mobility, seasonal schemes, or family and asylum routes. These lie outside the scope of this report.

We have built our evidence in two ways: one, through an analysis of the UK Labour Market; two, through an analysis of how other, similar countries operate work routes within their immigration systems.

### Analysis of the labour market challenges

Firstly, the UK labour market and economic context was analysed, highlighting what robust evidence tells us about the current state of labour demand and supply, and the current role of foreign workers in the economy. Sources used include official statistics, employer surveys, and relevant reports from research institutes such as The Migration Observatory at the University of Oxford. Evidence submitted to the House of Lords Economic Affairs Committee session on Brexit and the Labour Market was also useful.

### International comparisons

Secondly, we conducted a survey of seven offices in the PwC international network of immigration specialists – in Australia, Canada, Germany, Japan, Sweden, Switzerland, and the UK. The survey probed respondents' views on current immigration policy, in particular on the routes to entry for foreign workers, and its conditions, controls, and procedures. The survey also sought to gauge how immigration policies and tools worked in practice, particularly from the employer's perspective.

Australia and Canada were chosen because they are often regarded as role models for immigration policy. Both countries have significant levels of immigration, with immigrants comprising 28.4% and 21.4% of the population respectively.<sup>1</sup>

Switzerland occupies a special position, in that its relationship with the EU has been framed by a series of bilateral treaties. The Swiss Confederation has adopted various provisions of European Union law in order to participate in the Union's single market, where bilateral agreements made in 1999 also include the free movement of labour within the EU.

Germany has a similar rate of unemployment (3.5%) to the UK, similar average net wages (Germany's annual average net salary is £25,760 compared with the UK's net salary of £23,500<sup>2</sup>), a comparable share of foreigners as a percentage of the total population, and faces similar challenges in terms of skills needs and shortages.

Japan was chosen because of its reorientation in the past decade from a very closed system, which focused solely on high-skilled labour, to one more open, recognising the labour shortages, economic needs, and demographic pressures in its country.

We analysed Sweden because it is often regarded as a model of a developed country with a very open immigration system that works efficiently for its labour market.

We did not look at any other EEA countries, as we felt Germany and Sweden provided sufficient data.

A case study of the US immigration system was ruled out, since the system has been in considerable flux since January 2017.

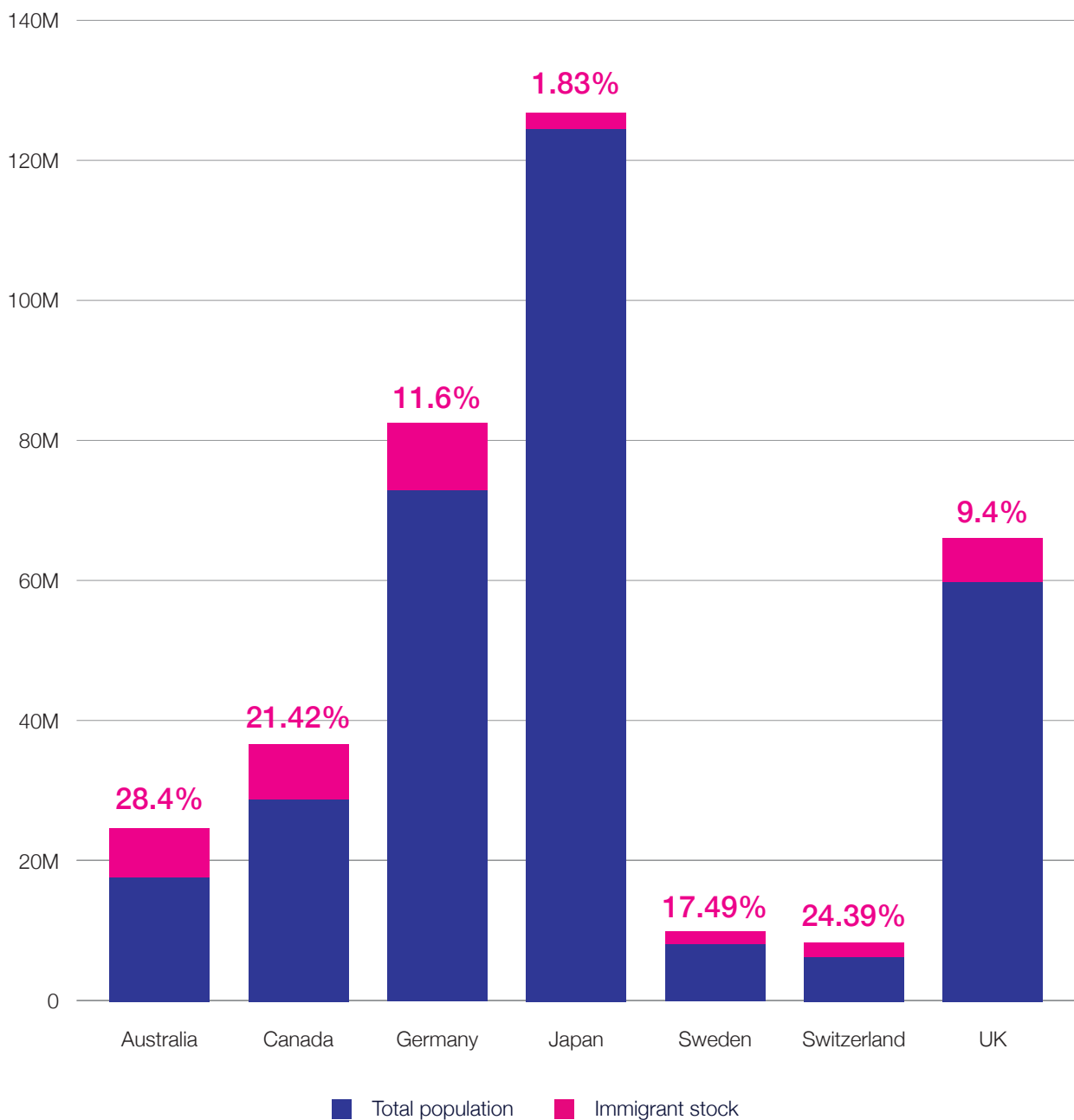
<sup>1</sup> See Figure 1 and sources in Appendix D.

<sup>2</sup> Standard Occupational Classification 2010, Office for National Statistics – [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/282503/occ108.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/282503/occ108.pdf)

## Foreign nationals in the case study nations

The foreign born population in the UK is relatively low, as illustrated by Figure 1 below. Out of the seven case studies, the UK has the second lowest share of immigrants as a percentage of the total population (9.4%), after Japan (1.8%). Germany is quite similar with 11.6%. Australia has the highest share, at 28.4%.

Figure 1: Share of resident population that are foreign-born in case study nations



Source: See Appendix D







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## II. THE UK LABOUR MARKET



## The UK labour market

### The UK labour market is near to full employment

In July 2018 there were 32.40 million people in work in the UK – an historic high – while the unemployment rate, at 4%, is at its lowest since February 1975. There are 1.36 million adults unemployed<sup>1</sup>.

### The UK has an open labour market

Foreign workers can access the UK labour market through two systems: EEA workers through the Freedom of Movement rules; and non-EEA workers through a controlled visa system.

Freedom of Movement rules allow workers from the EEA to move to any country in the region to search for and take up work, without the need to obtain a work visa. This gives the UK access to a labour pool of around 500 million workers.

In the UK, if after three months an EEA worker has not found work, they can apply for a range of welfare benefits. They then have a further three to six months to find work, after which, in theory, they can be asked to leave the country.

Many commentators point out that the UK has not used Freedom of Movement rules effectively and EEA workers face lower administrative hurdles in the UK compared to other EEA countries<sup>2</sup>. The UK is one of only a small number of EEA countries which does not require EEA workers to register on arrival. This makes tracking numbers very difficult. It also makes enforcement challenging; the lack of a central record of who is in the country and what they are doing makes it hard to remove those who have not found work within the necessary time period. For more information on Freedom of Movement, see Appendix B.

Workers from outside the EEA require work visas as part of a points-based system introduced by the Labour Government in 2008. This system provides access to different categories of non-EEA migrants through a number of tiers, or routes. The main route for skilled work is the Tier 2 General work visa, which we refer to in this report as Tier 2. Foreign workers who

wish to enter through this route require a job offer from a UK employer which is a licensed sponsor (that is, it has permission to hire foreign workers) before they are able to apply for a work visa. Currently, only high-skilled workers in possession of qualifications at RQF level 6 or above can come in through Tier 2. There is currently no proper route for medium- or low-skilled non-EEA workers.



The system awards points based on a range of factors, including English language skills, the type of job the applicant is coming to do, salary level, and satisfaction of the resident labour market test (unless exempt). Migrants are required to reach a particular points threshold before they can apply for a Certificate of Sponsorship<sup>3</sup>, which is necessary for subsequently obtaining a work visa. The system was designed to be objective and driven by economic need.

The new coalition Government in 2010 signalled a shift in approach to non-EEA migration and introduced changes to the points-based system. The focus moved to curbing immigration, most visibly through the introduction of a target to reduce net migration to the 'tens of thousands'. Net migration is the difference between the number of people who move to the UK for a year or more and the number who leave the UK to live elsewhere. This led to the introduction of a range of direct policies, such as the cap on Tier 2 work permits (set at 20,700 since 2011), as well as a mandatory 12-month cooling-off period<sup>4</sup>, an immigration skills charge (employers pay £1000 for each non-EEA worker they hire, per year, with the Government

<sup>1</sup> UK labour market: October 2018, Office for National Statistics. The UK uses the International Labour Organization definition of Unemployment: all persons without work (not in paid employment or self-employment during the reference period); currently available for work (were available for paid employment or self-employment during the reference period); and seeking work (had taken specific steps in a specified recent period to seek paid employment or self-employment).

<sup>2</sup> The EU directive (2004/38/EC) on Freedom of Movement gives every EU citizen the opportunity to enter another EU country without a visa, and live there for up to 3 months without being subject to conditions and formalities. After 3 months, the EU country has the right to subject the EU citizen to conditions such as: registration with relevant authorities; evidencing employment or sufficient funds so as to not be a burden to the host country's social security system; and/or providing proof of comprehensive sickness insurance. The UK did not apply any of these conditions to EU citizens (except self-sufficient EU citizens and EU students requiring comprehensive sickness insurance). eking work (had taken specific steps in a specified recent period to seek paid employment or self-employment).

<sup>3</sup> Employers must assign a Certificate of Sponsorship (CoS), i.e. a virtual work permit, to each foreign worker employed. Employers must obtain a CoS before being allowed to recruit to the post. The CoS is assessed on the basis of points, awarded for characteristics such as skills satisfaction of the RLMT, and salary. CoS applicants gain more points for higher salaries or if the job applied for is on the list of shortage occupations. The annual limit for Tier 2 General CoS is 20,700.

<sup>4</sup> The Tier 2 cooling-off period prohibits a Tier 2 visa holder from returning to the UK for a period of 12 months after the expiry of their Tier 2 visa or the date they left the UK (whichever is earlier, and subject to the provision of evidence), or from switching back to a Tier 2 visa from another UK leave category within 12 months. (There are some exceptions in place.)

## The UK labour market

intending to use the funds to pay for UK skills training), and restrictions on in-country switching of migrants already in the UK. These policies contrast with the very open system for EEA workers.

### There are lots of foreigners working here

There are 5.5 million foreign workers in the UK, of whom 2.3 million are from the EEA. In 2017, foreign workers made up 18% of all workers in employment in the UK, up from 7.2% in 1993<sup>5</sup>. In London, 37% of workers were born outside of the UK<sup>6</sup>.

### Demand is growing

Working Futures<sup>7</sup> forecasts (2014–2024), commissioned by the UK Government, suggest that the UK has 1.5 million job openings each year that require ‘net’ new workers – in other words, workers who do not already have a job. There are 765,000 job openings per year in high-skilled jobs; 570,000 in medium-skilled jobs; and 157,000 in lower-skilled jobs. Recruitment activity in the UK has continued to grow since 2015, with one in five employers having vacancies at the time of the 2017 UK Employer Skills Survey<sup>8</sup>. Employers reported a total of just over one million vacancies (1,007,000)<sup>9</sup>, a 9% increase on the 927,000 vacancies in the 2015 survey.

### Labour and skills shortages are rising

Out of the 1,007,000 vacancies identified in the UK Employer Skills Survey in 2017, there were 337,000 hard-to-fill vacancies; 226,000 were ‘skills-shortage vacancies’<sup>10</sup> – where there is a lack of skilled or qualified people to take the job. The level has risen by 8% since 2015, when skills-shortage vacancies numbered 209,000, and mirrors the increase in total vacancies.

There is evidence of a growing general recruitment challenge in the UK economy that is not simply a matter of finding the right skills. Out of the 337,000 hard-to-fill vacancies in 2017, 110,000 were due to a lack of applicants. Such vacancies increased by 18% between 2015 and 2017 – twice the rate of growth of all vacancies (9%).

A survey by London First and Lloyds<sup>11</sup> in March 2018 found that, UK-wide, 62% of businesses had faced challenges sourcing skills; at the same time 40% of businesses had also seen a higher turnover of employees since the referendum. For the businesses facing recruitment challenges, half reported that this was due to fewer applications from EEA workers since the referendum.

Skills shortages disproportionately affect small businesses. Almost one-third of vacancies (31%) in establishments with fewer than five employees were due to skills shortages, against only 16% among firms with 250 or more employees.

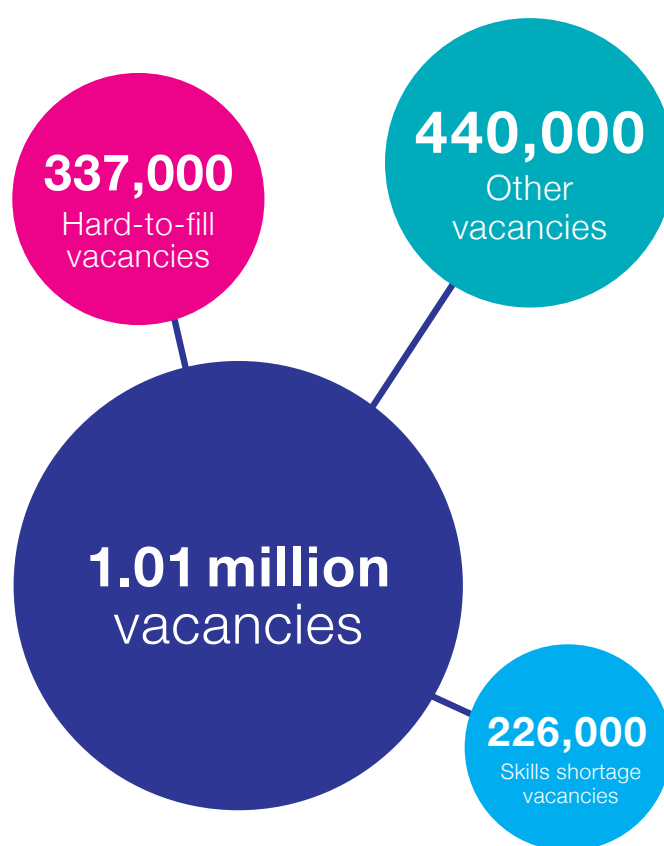


Figure 2: Distribution of job vacancies 2017

<sup>5</sup> Migrants in the UK Labour Market: An Overview; July 2018; The Migration Observatory.

<sup>6</sup> Facing Facts: The impact of migrants on London, its workforce and its economy; March 2017; London First & PwC UK.

<sup>7</sup> Working Futures 2014–2024, UK Commission for Employment and Skills, April 2016. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/513801/Working\\_Futures\\_final\\_evidence\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/513801/Working_Futures_final_evidence_report.pdf)

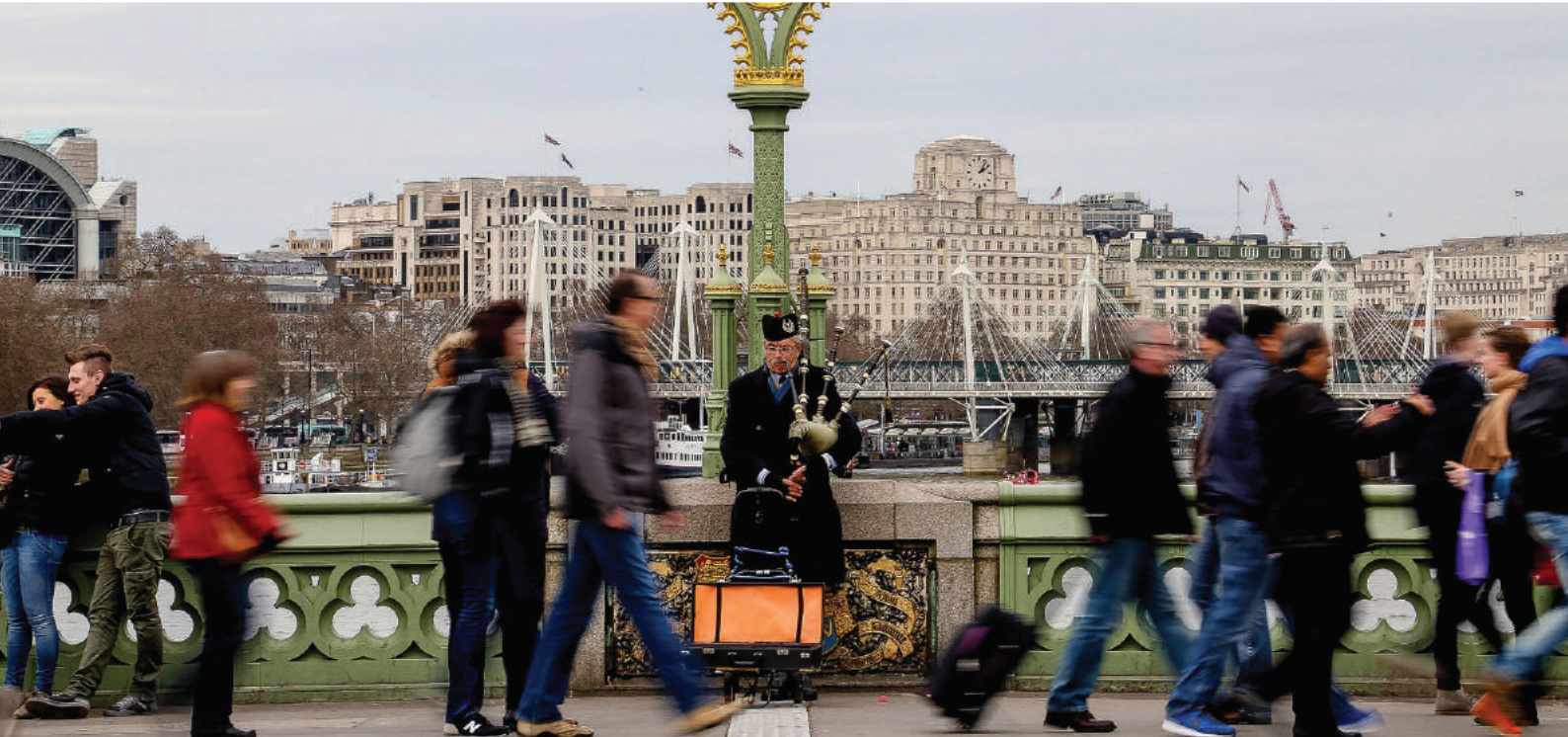
<sup>8</sup> UK Employer Skills Survey, Department for Education.

<sup>9</sup> ONS calculated about 832,000 unfilled vacancies in September 2018, but excluded agriculture, forestry and fishing sectors from its calculations.

<sup>10</sup> UK Employer Skills Survey, Department for Education.

<sup>11</sup> Building the workforce of the future, London First & Lloyds Banking Group, March 2018.







### Workers from abroad have filled jobs at all skills levels and in most industries

In 2017, 2.3 million foreign workers were in managerial, professional or associate professional jobs; 2.3 million were in medium-skilled jobs; and 873,000 were in lower-skilled jobs, as detailed in Figure 3 below.

**Figure 3: Foreign workers by the type of job**

Job type		EU workers		Non-EU workers		UK-born workers	
		Total	% in each job type	Total	% in each job type	Total	% in each job type
<b>High</b>	Managerial	167,000	5.2%	350,000	10.9%	2,681,000	83.8%
	Professional	382,000	6.1%	819,000	13.2%	5,017,000	80.7%
	Associate professional	246,000	5.5%	369,000	8.3%	3,819,000	86.1%
	<b>Total high-skilled</b>	<b>795,000</b>	<b>5.7%</b>	<b>1,538,000</b>	<b>11.1%</b>	<b>11,517,000</b>	<b>83.2%</b>
<b>Medium</b>	Administrative	156,000	5.0%	257,000	8.2%	2,730,000	86.9%
	Skilled trades	300,000	9.3%	221,000	6.9%	2,689,000	83.8%
	Personal service	186,000	6.4%	325,000	11.2%	2,402,000	82.5%
	Sales	141,000	5.9%	238,000	10.0%	2,003,000	84.1%
	Processing	283,000	14.5%	210,000	10.8%	1,460,000	74.8%
	<b>Total medium-skilled</b>	<b>1,066,000</b>	<b>7.8%</b>	<b>1,251,000</b>	<b>9.2%</b>	<b>11,284,000</b>	<b>83.0%</b>
<b>Low</b>	Elementary occupations	491,000	15.0%	382,000	11.7%	2,395,000	73.3%
	<b>Total low-skilled</b>	<b>491,000</b>	<b>15.0%</b>	<b>382,000</b>	<b>11.7%</b>	<b>2,395,000</b>	<b>73.3%</b>
<b>All jobs</b>		<b>2,354,000</b>	<b>7.7%</b>	<b>3,172,000</b>	<b>10.3%</b>	<b>25,196,000</b>	<b>82.0%</b>

Source: The Migration Observatory at the University of Oxford / Labour Force Survey 2017, Q1-Q4. Occupational categories derived from the Standard Occupational Classification (SOC 2000)

Figure 4 on the right shows the top ten types of job undertaken by foreign-born workers in 2017, split between EEA and non-EEA workers. Many of these are in low- or semi-skilled occupations, such as packers, bottlers, canners and fillers, taxi drivers, and security guards.

**Figure 4: Top 10 types of jobs undertaken by foreign-born workers in 2017**

EU workers			Non-EU workers		
Occupation	% of jobs taken by EU workers	No. EU workers	Occupation	% of jobs taken by non-EU workers	No. of non-EU workers
Packers, bottlers, canners and fillers	46	62,000	Taxi/cab drivers and chauffeurs	38	76,000
Food, drink and tobacco process	41	60,000	Security guards and related occupations	27	49,000
Housekeepers and related occupation	27	10,000	Shopkeepers and proprietors	27	33,000
Fork-lift truck drivers	24	19,000	Chefs	26	66,000
Elementary storage occupations	22	95,000	Medical practitioners	25	64,000
Routine inspectors and testers	21	15,000	IT and telecommunications professional	24	44,000
Chefs	20	52,000	Authors, writers and translators	23	17,000
Metal working machine operatives	20	12,000	Programmers and software developers	21	62,000
Cleaning and housekeeping managers	19	14,000	Legal professionals not elsewhere classified	21	11,000
Cleaners and domestics	19	102,000	IT project and programme managers	21	1

Source: The Migration Observatory at the University of Oxford / Labour Force Survey 2017, Q1-Q4

We can see that foreign workers play a variety of critical roles in the UK economy.

Some migrants do jobs that, in practice, could not practically be done by British citizens. Take, for example, a business that requires a Japanese qualified lawyer with many years of financial markets experience gained in Japan, to work within a multinational bank in London. This skill set would be difficult to find within the British citizen workforce.

Some foreign workers fill the gap created by a lack of effective UK skills provision. In its 2017 Industrial Strategy Green Paper, the UK Government acknowledged serious deficiencies in UK skills attainment and the UK education and skills system.

While the UK higher education system has its strengths, poor performance in basic and technical skills leads to persistently lower productivity compared with other advanced economies<sup>12</sup>. A recent CBI report highlighted education and skills as the biggest determinants of regional variations in productivity. Significant problems in basic skills, and in providing enough high-skilled technicians, have increased the UK's reliance on foreign workers. Some foreign workers provide supply where there is demand: 2.3 million EEA workers are in UK jobs that are low- or semi-skilled. The Oxford Migration Observatory has estimated that around three-quarters of EEA migrants currently employed in the UK would not meet the current Tier 2 visa requirements for non-EEA workers<sup>13</sup>.

<sup>12</sup> ONS International comparison of UK productivity, 2018.

<sup>13</sup> Research undertaken for the Financial Times by The Oxford Migration Observatory, June 16, 2016.

### The impact of foreign workers on UK workers

The Migration Advisory Committee (MAC), the independent non-departmental public body that advises Government on immigration, has recently released a report<sup>14</sup> on the impact of EEA workers on the UK. The MAC's analysis was clear that, overall, EEA migration has no impact on unemployment levels of UK workers – and nor does it, on average, affect wages. The MAC also found that immigration had a positive impact on productivity and its most important drivers: innovation, investment in physical capital, and investment in education and training. Furthermore, the MAC found that EEA workers pay more in taxes than they receive in benefits. On average, EEA workers contributed net £2,380 more than native workers in public finances to the Government.



Higher- and medium-skilled EEA workers were found to be of greater benefit to the UK economy than lower-skilled workers, which led to the MAC's recommendation that the Government should expand the current Tier 2 route to include eligibility for medium-skilled workers. The report also recommended abolishing the Tier 2 cap and maintaining the salary threshold at £30,000 – workers with salary levels below this threshold would be barred from entry. The MAC recommended against a lower-skilled migration route, arguing that sufficient supply could come from a number of other routes, including youth mobility, asylum, and family. They did accept, however, that maintaining the salary threshold at £30,000 would be a barrier to recruitment for about two-thirds of all lower- and medium-skilled jobs in the UK<sup>15</sup>. ONS data shows that 64% of workers in the UK are paid below £30,000, in sectors like health the number rises to 75.4% and in hospitality to 90.6%<sup>16</sup>.

### Official migration data is less than reliable

In 1961 the UK Government set up a travel and tourism survey to help collect data about the movement of people in and out of the UK. Now, more than 55 years later, the International Passenger Survey (IPS) is still the UK's key data source for its estimates of Long Term International Migration (LTIM) – those persons remaining for 12 months or more. The LTIM estimates provide the official measures of immigration, emigration and net migration in the UK. This survey reaches only a small fraction of travellers and the UK's international migration data are extrapolated from interviews with approximately 250,000 travellers per year<sup>17</sup>. This means that there is significant uncertainty around IPS estimates of immigration, emigration, and net migration.

A report in July 2013 by the House of Commons Public Administration Committee described the official migration statistics as "little better than a best guess". Efforts are being made by the Office of National Statistics (ONS), which is responsible for migration data, to make improvements by utilising a wider range of data sources, and work is ongoing.

The poor quality of data makes it hard to estimate the number of EEA workers in different sectors, and there are often significant discrepancies between the data held by trade associations and the ONS's official data. For example, in evidence to a House of Lords select committee<sup>18</sup>, the Agricultural and Horticultural Development Board estimated that 115,000 workers in agriculture come from the EEA, 20% of the total; whereas ONS data seems to contradict the numbers, stating that 10% of workers in the Agriculture sector are EEA workers for a similar reporting period<sup>19</sup>. The British Hospitality Association estimates that the hospitality sector employs 700,000 EEA nationals, representing 15% of total employment. The Engineering Employers' Federation estimates that 300,000 manufacturing workers are EEA nationals, amounting to 10% of all employees.

### What does all this mean for policy?

With 5.5 million foreign workers currently in the UK, and one million vacancies, there remains excess labour demand. With unemployment currently at 1.36 million, it might be argued that there is sufficient local labour available to fill these vacancies, but this is not, in fact, the case, as many of these people will only be frictionally unemployed, meaning that they are between jobs, or will lack the required skill set to do these jobs.

<sup>14</sup> EEA migration in the UK: Final report; MAC, September 2018; <https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration>.

<sup>15</sup> EEA migration in the UK: Final report; MAC; p.113.

<sup>16</sup> ONS, Reference number 009226, October 2018.

<sup>17</sup> ONS International Passenger Survey.

<sup>18</sup> House of Lords Economic Affairs Committee session on Brexit and the Labour Market, 1st Report of Session 2017–19, published 17 July 2017.

<sup>19</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/007215employmentbyindustryandnationalityforeuandnoneuworkersapril2016tomarch2017>



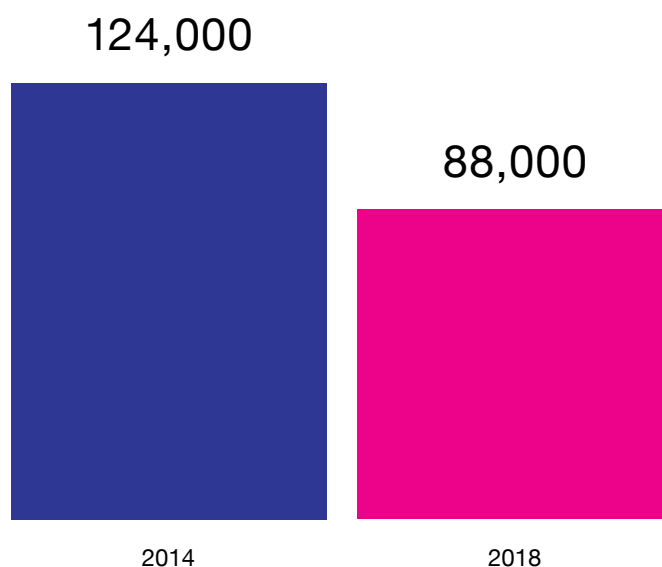
In the long term, excess labour demand could increase as a result of demographic change, with fewer available EEA foreign workers. The ONS provides population projections based on scenarios with zero migration to and from the EEA<sup>20</sup>. Under a zero-migration scenario, there would be 844,000 fewer working-age residents in the UK in 2028, compared with the baseline population projection of continued migration at current rates. Since the EU referendum, net migration has already started to fall. Net migration of EEA citizens fell from 124,000 in 2017 to 88,000 in 2018 – a 30% decrease in EEA citizens in the UK<sup>21</sup>.

Improvements in education and skills provision, and increased investment in new technologies, particularly those driving automation, will reshape the labour market over time. Although the UK already has a substantial stock of foreign workers, in the short to medium term, it is unlikely that the UK economy's labour and skills needs can be met with a drastically reduced flow of foreign workers.

Given that the UK Government has ruled out maintaining Freedom of Movement between the UK and the EU post-Brexit, the UK will need a new immigration system. In particular, this will require reforming the current Tier 2 work route. The new system

will need to be flexible and responsive to the changing needs of the economy and employers. And it will need to provide access to foreign workers with a broader range of skills.

#### Net migration of EEA citizens



Source: ONS, 2018

<sup>20</sup> The principal scenario projects 43,980,000 working-age residents in 2028, the No-EU-migration scenario projects 43,137,000 working-age residents. Source: 2016-based national population projections, Office for National Statistics.

<sup>21</sup> ONS Migration Statistics Quarterly Report: August 2018.

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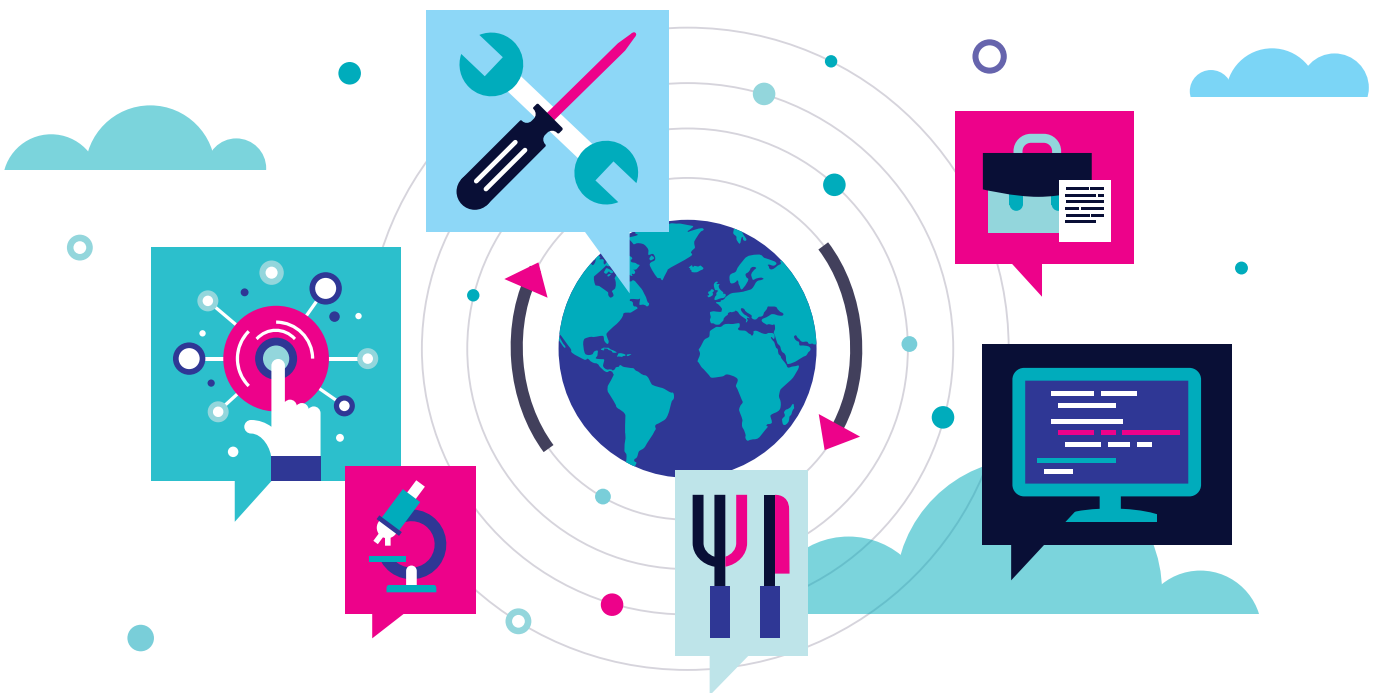
### III. COMPARING INTERNATIONAL IMMIGRATION POLICIES AND TOOLS



## Key lessons from international experience

- Blunt tools used to restrict the number of migrants, such as quotas and high salary thresholds, typically put a drag on the labour market by making it harder for employers to recruit for medium- and lower-paid jobs.
- Skills shortage lists can be useful in addressing both the chronic skills shortages facing the economy and the needs of growth industries and are used as part of a toolkit for the immigration system. They should not be used as a short-term fix for the general system.
- Effective and streamlined employer compliance systems help to assure Governments that foreign workers are being properly hired within the immigration rules.
- Labour market tests can help to build confidence in the immigration system and mitigate potential negative impacts on existing workers and communities and can be designed in ways which do not create an excessive burden on employers.
- Requiring high minimum skills requirements, like academic degrees, that bear little relation to the range of unfilled vacancies in the country, are of limited use if the demand for foreign workers is broad and ranges across various skill levels.
- The success of an immigration policy and approach largely depends on its implementation: its administration, performance management, and communication.
- Governments typically set an overarching objective for an immigration system, whether that's wanting to attract skills in short supply, or reduce overall immigration levels. This objective sets the tone domestically and shapes policies. It also communicates how open and welcoming a country is to the outside world, including to foreign workers.

This chapter examines immigration policies and tools for the main immigration work route<sup>1</sup> in the seven case study countries – Australia, Canada, Germany, Japan, Sweden, Switzerland, and the UK. Insights and analysis refer to these case studies exclusively. The following sections describe and analyse the overarching policy objectives of immigration policies, and discuss tools for entry, methods for selecting the skills of foreign workers, and administrative systems and approaches.



<sup>1</sup> Does not include any work route that is categorised as short-term, i.e. less than 12 months.

## Overview of immigration tools in researched countries

Country	Skills requirements	Salary threshold & salary requirements	Labour Market Test
Australia	Properly skilled and qualified professionals, in most cases academic qualification (~RQF 6 and above)	Threshold: ~ £30,500, salaries in line with national pay	28 days, info about national recruitment attempts, research on recent labour market trends
Canada	Skills requirements vary based on work permit category; for high-wage or professional occupations, most work permits require post-secondary education and specialized training or experience	For most employer-sponsored work permits, salary must be in line with or exceeding listed prevailing wage for similar positions in the intended location of employment	28 days, on national job bank website + 2 other mediums (at least 1 national scope) in line with sector recruitment, in low-wage cases required to conduct recruitment efforts targeting underrepresented groups, proof of advertisement and recruitment efforts need to be presented and kept for min. 6 years
Germany	Academic degree is required in most cases; vocational degrees of minimum two-year training are accepted in shortage sectors (broadly equivalent w/ RQF3)  EU Blue card: Academic qualification	Equal to a national occupational pay  EU Blue card: ~ £46,000 & ~ £35,850 for shortage skills	Discretionary decision by authorities whether labour market check is required, to see if German or EEA national is available for job (not necessary for EU Blue card)
Japan	Highly skilled professionals, opening up to lower skill through training and technical internship programmes	In line with national pay for the occupation	None
Sweden	All skill levels	Threshold: ~ £13,400, which equals minimum pay in Sweden; salaries need to be in line with national pay	10 days nationally +EEA in relevant media
Switzerland	non-EU: Only highly skilled (management level, specialists, other qualified individuals) EEA: all skill levels	Salary in line with Swiss employee with similar educational background	2.5 months in several mediums & public website for unemployed workforce, Labour market test necessary if unemployment rate over 8%
Uk	job must be at RQF6 or above level (academic degree)	Threshold: £30,000 (experienced hires) £20,800 for entry positions Or the appropriate salary level for the role as stated in the Code of Practice, whichever is higher	28 days, 2 specific methods as specified by the Home Office, need to demonstrate no suitable worker

Employer registration system/ Sponsor system	Caps/quota	Shortage occupation list	Average processing times for work permit	Duration of Visa
yes	Yes, but only for permanent residence (settled status) 190,000 p.a. (does not apply for temporary sponsored workers)	Short-term Skilled Occupation List; Medium and Long-term Strategic Skills List	8-24 weeks	2-4 years
yes	None, unless specified in reciprocal country agreements	Global Skills Strategy – IT and STEM related occupations mainly + regional lists	2-28 weeks, 10 business days for certain occupations/ assignments	Varies from duration of short-term assignment to 3 years, with possible extensions
none	none	Shortage list for vocational occupations	4-10 weeks, 3-6 weeks for favoured nationals & EU Blue Cards	1-2 years; EU Blue Card: 1-4 years
none	none	“Time-limited emergency measures” in fields of construction & shipbuilding & National Strategic Special Zones: Entrepreneurs, housekeeping services	3-12 weeks	3 months – 5 years
yes	none	Shortage list for specific occupations (mostly vocational occupations)	1-4 weeks	0-2 years +2 extension possible (if the work continues beyond 4 years then apply for permanent residence)
none	Yes, 4,500 p.a. for 1+ year visas, 4,000 p.a. for less than 12 months (non-EU)	List of exempt shortage positions over the 8% unemployment threshold, mostly vocational level	2-8 weeks	2-5 years depending on treaty with relevant country
yes	Yes 20,700 p.a. for Tier 2 (General)	Shortage Occupation List (Appendix K Immigration Rules)	2-12 weeks, priority countries (e.g. US) are processed in 5 days	0-5 years, 1 year extension possible to bring maximum period to 6 years

## 1. Objectives of immigration policies

Each country will have in place overarching goals for its immigration system, and these goals will vary from country to country. They set the direction and tone for immigration policy and operational practices.

The UK Government has focused on reducing immigration in recent years through its net migration target and associated policies like the Tier 2 cap. This target is fundamentally flawed, since it is not underpinned by economic evidence and the only aspect the Government has been able to control is non-EEA skilled workers. This has resulted in employers finding it harder to hire these crucial, typically high-skilled workers, while at the same time the Government has never managed to hit its target<sup>2</sup>.

Countries such as  
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Countries such as Sweden, Australia and Canada have communicated more proactively and clearly that they are open to international talent. They have recognised that immigrants play a vital role in ensuring that their economies remain internationally competitive and have set policies accordingly. Nevertheless, Australia recently restricted the ability of temporary sponsored workers to apply for employer-sponsored permanent residency, as the Australian Government looks to be more selective about the types of foreign workers it wishes to attract in the future.

Germany redefined its policy goals significantly in 2005, when a new immigration law came into effect that emphasised the openness of Germany to immigration – and for skilled workers in particular. Since the summer of 2011, this has led to lowered

immigration requirements for engineers, medical doctors, and IT specialists. Further, in April 2012, European Blue Card legislation was implemented in Germany, allowing highly skilled non-EEA citizens easier access to work and live in Germany, subject to certain requirements.

Japan, in a similar move to Germany, has been redefining its immigration system towards greater openness, reflecting the increasing globalisation of its economy. After having operated one of the most closed systems in advanced economies, Japan has opened many more routes for lower-skilled workers, has lowered its language requirement, and has reformed rules regarding permanent residence for these groups of workers to counteract the rapidly ageing population and contracting workforce, with the intention of injecting new vitality into the domestic market.

Switzerland operates a dual system for its foreign workers<sup>3</sup>: only highly skilled and highly specialised workers from non-EEA countries are admitted to the Swiss labour market, whereas workers from EEA countries who are locally employed fully benefit from the Agreement on the free movement of persons. Restrictions that are similar to those for non-EEA nationals apply to EEA-nationals who are seconded to Switzerland by their foreign employers.

Despite the entry into force in 2014 of a new constitutional provision that aimed to ‘reduce mass immigration’ into Switzerland, the system remains unchanged. So far, the implementation of the constitutional provision has only consisted in a mandatory reporting of all job vacancies in professions with an average unemployment level of 8 per cent (to be reduced to 5 per cent in 2020), which came into action in July 2018.

Governments typically set an overarching objective for an immigration system, whether that’s wanting to attract skills in short supply, like Sweden, or reduce overall immigration levels, like the UK. This objective sets the tone domestically and shapes policies. It also communicates how open and welcoming a country is to the outside world. Restrictive policy and negative rhetoric can work to discourage the foreign workers that a country needs. In the UK’s case, it is welcoming to see the Government working to put the ‘hostile immigration environment’ behind it; this is crucial given that the UK will need to project a strong and positive global outlook as we leave the EU.

<sup>2</sup> Current net migration is at 270,000 according to the ONS Migration Statistics Quarterly Report: August 2018.

<sup>3</sup> EEA workers who are gainfully employed on the basis of a Swiss employment contract benefit from the agreements on Freedom of Movement, whereas EEA workers that are seconded to Switzerland face restrictive quotas if they would like to reside and work in the country for more than 4 months per year.

## 2. Quotas

### Quotas are primarily a method of limiting and controlling immigration

Quotas cap the number of visas available to foreign workers.

Switzerland and the UK have quota systems for their main work routes, Australia uses a quota system for its resident settlement applications, and Canada, Germany and Sweden do not have any numerical restrictions on the volume of immigrants.

Switzerland applies a quota system for work permits with a validity of more than 4 months and which are issued to non-EEA nationals (both local hires and assignees) and to EEA nationals (only intra-company or project assignees; work permits issued to EEA local hires are exempt of quota). The number of work permits to be released each year is set by the Swiss Government. For 2019 there are 4,500 long-term permits and 4,000 short-term permits issued to non-EEA nationals and 500 long-term permits and 3,000 short-term<sup>5</sup> permits issued to EEA assignees/service providers. There may be a shortage of non-EEA long-term work permits at the end of a given calendar year, which the Swiss government will typically seek to address by issuing short-term permits to bridge the gap, otherwise businesses must delay the employment start date of non-EEA nationals by a few weeks.

Australia also operates a quota system for its permanent residency system, which immigrants can apply to after having lawfully lived in Australia for four years. Quotas have been set for each category of long-term immigration. Australia currently allocates a quota of 128,550 to its skill stream per year, which has not been exhausted in recent years.

### Quotas are politically useful but can be economically harmful

Quotas may prove to be ineffective at whatever level they are set. If set higher than the demand, they play no active role; if set below demand, they can be economically harmful. Australia's quota is seldom met, but it has been used by

policymakers to signal that Australia is concerned about the numbers of immigrants coming into the country. Since the EU referendum, the UK's Tier 2 quota has proven insufficient in the face of declining migration from EEA countries, especially for medical jobs. Demand for work permits massively outstripped the capped supply of 20,700 work permits. This pushed the 'practical' minimum salary threshold under Tier 2 up to £65,000, as the allocated monthly work permits are issued first to applicants with a higher number of points. A higher number of points are closely associated with a higher salary, which means higher-paid applicants were given priority when the cap was exhausted. This proved damaging for public services and businesses alike. Resident labour market tests had already been carried out, the applicants had been vetted and the need demonstrated. The well-publicised staff shortages by the NHS resulted in a temporary exemption of non-EEA doctors and nurses from the quota in June 2018, which has eased pressure. It is unclear when the exemption will end.

Demand for work permits outstripped the capped supply of 20,700 work permits

The fundamental economic issue is that setting monthly or annual quotas implies that there is some underlying knowledge about monthly or annual labour demand. However, expert advice<sup>6</sup> and independent policy reviews<sup>7</sup> have questioned the rationale for quotas and have recommended the UK Government abandons them. Indeed the MAC has concluded that there is no credible method of specifying an optimal number of available visas for a dynamic labour market<sup>8</sup> and has recommended that the quota is abolished.

<sup>4</sup> Long-term: more than 1 year, renewable every year or on a bi-annual basis

<sup>5</sup> Short-term: less than 12 months, but more than 4 months.

<sup>6</sup> Professor Jonathon Portes (2018) Free Movement After Brexit: Policy Options, The UK in a Changing Europe.

<sup>7</sup> Migration and Advisory Committee, September 2018.

<sup>8</sup> Migration Advisory Committee (2011) Skilled shortage sensible: Full review of the recommended shortage occupation lists for the UK and Scotland.

### 3. Skills requirements

A skills threshold is one method that countries use to select the foreign workers that they want

Qualification levels are a common proxy for defining skill level and thus eligibility for a job. In most countries the main work route in the immigration system targets higher-qualified workers; evidence shows they tend to deliver greater economic benefit. Workers with lower skill levels are often able to obtain visas, but they tend to come in via separate routes, sometimes short term, that can be tailored to certain sectors reliant on lower-skilled labour.

Qualification levels are a blunt tool for assessing skills levels, but they are easy to apply. The UK's Tier 2 route currently only permits skilled workers to undertake roles and the foreign worker must be appropriately qualified or registered. For example, if working as a doctor, the employer must ensure the correct registration to practise in the UK is in place, and the role must be at Regulated Qualifications Framework (RQF) level 6, or it must appear on the Shortage Occupation List (SOL). Those with lower academic or vocational qualifications are deemed as 'not skilled'. This affects occupations including technicians, opticians and engineers, which are set at RQF levels 3 and 4 (see Figure 6). Switzerland takes a similar approach for the admission of non-EEA nationals or EEA nationals seconded to Switzerland, as it requires that individuals hold a university degree and at least 2–3 years of relevant work experience in

order to qualify for a work permit. Exemption from the degree requirement may apply to employees who have extensive work experience in a particular area or in an industry where there is a skills shortage. Swiss immigration authorities exercise their discretion in assessing work permit applications and are generally sensitive to local labour market shortages.

Other countries studied in our comparison – Australia, Canada, Germany, and Sweden – use a broader definition of 'skilled', and commonly tradespeople with sub-degree vocational qualifications are eligible for entry through their main workers route. Sweden recognises all skill levels as eligible for entry, if the business could prove clear economic need and would pay the worker in line with national pay for the occupation.

Germany and Japan, which face large labour shortages in many medium-skilled occupations, now permit entry for workers at these levels, to ensure that their economic needs are met and not hampered by a restrictive immigration system.

High minimum skills requirements often exclude crucial workers who are qualified below degree level but are nonetheless needed by businesses. For an immigration system to reflect the needs of the economy and employers, skills requirements should therefore be set broadly.

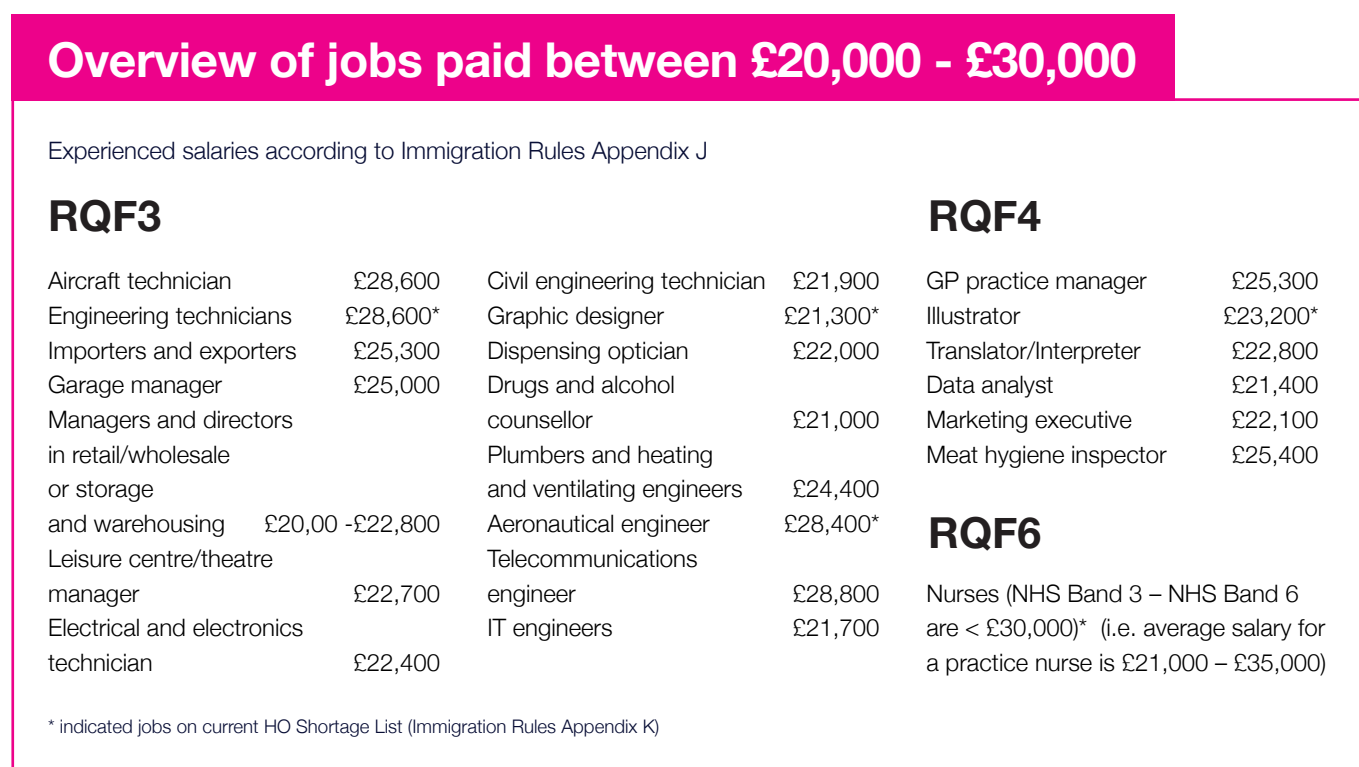


Figure 6: Overview of exemplary jobs at different RQF levels and their salaries by Home Office occupational categories



## 4. Salary thresholds and occupational salary requirements

Salary thresholds can be used in tandem with skills thresholds to filter access to foreign workers

Salary thresholds are the second proxy used to define the skill level of a job, on the assumption that jobs with a higher skill level are paid more. Again, they can be a blunt tool and lead to the exclusion of crucial lower- and medium-paid roles e.g. nursing, care work.

Australia has set its salary threshold at A\$ 53,900 (~ £30,500) for experienced hires, similar to the UK's salary threshold of £30,000<sup>9</sup>. Similarly, Germany's special high-skilled work route for an EU Blue Card requires a minimum salary of 52,000 (~ £46,000) and a lower threshold for high-skilled occupations deemed very scarce, such as IT specialists, engineers and medical doctors, of 40,560 (~ £35,850)<sup>10</sup>. Sweden has set its salary threshold in line with the minimum pay level by its Migration Agency at SEK 156,000 (~ £13,300), its legal minimum salary, to reflect its openness to all levels of workers.

Occupational salary requirements ensure that foreign workers do not undercut the resident workforce

All countries examined apply occupational salary requirements, meaning that a job offered to a foreign worker needs to pay in line with the nationally determined wage deemed appropriate for the occupation in question. In countries where there is a salary threshold, the foreign worker must be paid at this rate or the occupational salary requirement, whichever is the higher. The Home Office in the UK, for example, lists all jobs and their appropriate pay (and skill level) in its Immigration Rules (Appendix J<sup>11</sup>). Salary and skills thresholds typically work together; under Tier 2 rules in the UK, an experienced foreign worker must be paid at least £30,000 and be qualified at degree level (RQF level 6) or above, unless exemptions apply, for example for certain roles in the creative sector.

In our country survey, the biggest hurdle in the UK immigration system was identified as the current salary threshold. In other countries, Germany or Switzerland for example, the immigration experts stated that often the rigid occupational groupings and their salary requirements do not reflect actual roles and that this can result in needing to pay foreign workers at a higher rate than is common in the company for domestic workers.

As Freedom of Movement ends, the UK's new single immigration system must reflect the need for a broader range of workers at different skill and salary levels. Setting a salary threshold is not an exact science, and the same can be said for skills thresholds. But it must be set at a level that does not block access to the workers that employers need as 64% of workers in the UK are paid below £30,000<sup>12</sup>. At the same time, set at the right level a salary threshold can benefit domestic workers



by applying upward pressure on wages and ensuring they can compete for the jobs available. Setting the salary threshold for foreign workers at the equivalent of London Living Wage (LLW)<sup>13</sup>, currently £20,155, seems a sensible starting point. The national minimum wage (NMW) is already an axiomatic floor, since it would be illegal to pay anything less than that. Paying the higher LLW rate, around £5,000 more than NMW, sends a positive signal that foreign workers are not being used to undercut domestic workers and this higher rate may apply upward pressure on the wages of domestic workers paid at the lower end.

The salary threshold and occupational salary requirements will need to be kept under constant review and, where the evidence supports it, adjusted, to ensure they reflect the labour market requirements accurately.

<sup>9</sup> Entry-level salary threshold requires £20,800 minimum salary; due to the cap on Tier 2 the practical salary threshold has often been higher than £30,000 for a work permit, depending on the oversubscription of the cap.

<sup>10</sup> Needs to consider different (income) tax levels in Germany of 42% and thus a higher general gross income level.

<sup>11</sup> They are called SOC codes; every occupation group has their own code with a description of the example job tasks, job titles and salary rates: <https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-j-codes-of-practice-for-skilled-work>.

<sup>12</sup> ONS, Reference number 009226, October 2018 By sector: Construction (52%), Hospitality (90.6%), Health and social work (75.4%), Education (64.9%), Manufacturing (55.4%), Scientific and technical activities (46.9%), Logistics (57.2%)

<sup>13</sup> Living Wage Foundation, £10.20 hourly salary, 38-hour average work week.

## 5. Labour market tests

### Labour market tests aim to ensure existing employees are not disadvantaged by foreign workers

Labour market tests require employers to demonstrate that a job cannot be filled by an existing local or national resident, and/or that hiring a foreign worker will not adversely affect the existing workforce. They usually stipulate that job vacancies must be advertised in national or local media for a reasonable length of time, with terms, conditions and salary that are consistent with the market average for the type of job and industry.

The UK currently requires employers to carry out a 'Resident Labour Market Test' (RLMT) before sponsoring a worker from outside the EEA. Designed to protect the settled workforce, the employer must advertise the role in the UK using two methods<sup>13</sup> prescribed by the Home Office and subsequently assess any candidate who applies. If there is no suitably qualified or skilled settled worker available to take up the position, then the employer will be permitted to offer the role to a non-EEA worker.

Views taken from employers and experts during this research suggest that the RLMT could be made easier for employers to undertake and comply with. The demanded duration for which the advertisements are placed is excessive, and the requirement to advertise roles online is not suitable for multinationals looking to make senior and high-skill hires. Further, the requirement for employers to retain, for example, all documentation (CV, emails, applications, etc.) relating to applicants shortlisted for final interview, places a high burden of proof on the employer.

In Sweden, a job must be advertised for at least ten days in relevant media, so it can be seen across the EU/EEA area, before a third country national can be recruited. Most employers will post it to the Swedish Public Employment Service, a national Government website for job seekers. National unions or trade bodies will have to approve that the salary is in line with national pay, and employers need to prove that the foreign worker will be sufficiently insured.

In Canada, the labour market must be tested prior to a Labour Market Impact Assessment (LMIA)<sup>14</sup> application, with a minimum of four weeks advertising being conducted in at least three different media (one of which being national in scope) and advertising being continuous throughout the application process. Employers applying for low-wage LMIA approval must ensure that recruitment additionally targets underrepresented groups in Canada and must generally ensure that the number of temporary foreign workers is not more than 10% of the overall workforce.

In Switzerland, a labour market test is required only in the case of non-EEA nationals and in particular for new local hires. Exceptions from the labour market test apply in the case of intra-company assignments of specialists or management-level employees. A labour market test is mandatory if unemployment reaches 'higher than average' (i.e. currently more than 8% unemployment rate and, in 2020, to be reduced to 5%) in specific jobs pre-defined in a list issued by the State Secretariat for Economic Affairs.

The Australian labour market test goes one step further than other Anglo-Saxon systems, requiring the employer to document all attempts of hiring from the domestic workforce, while also having to reference any relevant research released in the previous four months relating to labour market trends generally and to the nominated occupation.

A labour market test can be a useful tool that helps to protect the domestic workforce, by ensuring that employers have made a genuine effort to recruit local workers before they are able to recruit foreign workers. They need to be administered in a streamlined way to minimise bureaucratic friction and delays to the recruitment process. They typically work better for lower-skilled and less specialised positions, where advertisement in accessible regional and national newspapers and on Government websites could yield sufficient candidates.

<sup>13</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/725905/Tier-2-5-sponsor-guidance\\_07-2018\\_final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725905/Tier-2-5-sponsor-guidance_07-2018_final.pdf) p.124 ff (e.g. 'Find a job', National newspaper, professional journal, Milkround, rolling recruitment campaigns, recruitment agency and head-hunters, the Internet)

<sup>14</sup> LMIA-based work permits are part of Canada's temporary foreign-worker program. It is a labour market verification test whereby a government body will analyse an offer of employment made to a foreign national to ensure that the employment will not negatively impact the Canadian labour market.



## 6. Skills shortage lists

### Skills shortage lists can target foreign workers to address acute labour market needs in recognised occupations

Skills shortage lists aim to target foreign workers and address acute economic needs in particular industries and localities. They do this by streamlining and often fast-tracking the immigration process for employers and foreign workers, by exempting them from labour market tests, lowered salary thresholds, and exemptions from extra charges.

The UK has such a list – the Shortage Occupational List – which was devised by the MAC based on 12 criteria for occupations<sup>15</sup>, complemented by consultation with businesses, city-region and local skills partnerships, and other interested parties, such as trades unions and Government departments. Factors include changes in employment, salaries, vacancy duration, alternatives to migrant labour, and employer perceptions. The UK occupational shortage list was last updated in 2013, and the MAC was commissioned in June 2018 to revise this by spring 2019. Businesses tend to regard the UK Shortage Occupational List as being too inflexible, and an insufficient means, on its own, to address the skills and recruitment shortages that UK employers face.

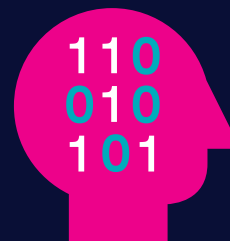
Canada operates an ‘occupation in demand’ list – a list of occupations in greatest demand (rather than a skills shortage list), which is designed to facilitate the temporary entry of such workers under the country’s Global Skills Strategy. In applying for permanent residence to Canada, many of the country’s provincial nomination programs also operate an ‘occupation in demand’ list, and the province of Quebec, in particular, recognises in-demand occupations as part of its LMIA process.

Australia operates a temporary skills shortage list and medium-term skills shortage list. Both lists are reviewed by the Australian Government’s Department of Jobs and Small Businesses. The lists include both professional and technical occupations. In Australia foreign workers who are approved as meeting the requirements of a skills shortage list are permitted a visa to search for a job.

Germany’s EU Blue Card for highly skilled foreign workers was incorporated into its immigration law in 2012. Highly skilled foreign employees have their entry requirements lowered as they are so highly valued. Germany also operates a vocational skills route for foreign workers.

### UK’s grand challenges

#### Artificial Intelligence and Data



#### Clean Growth



#### Future of Mobility



#### Ageing Society



<sup>15</sup> See Appendix E for details.

## Skills shortage lists are useful, but can easily get out of step with real labour market need

Shortage lists are often based on evidence that is one or two years out of date and, inevitably, have a public sector administrative approach rather than an employer-led one. The MAC emphasised that “top-down indicators do not, in themselves, provide unassailable evidence of shortage, or a lack thereof”.

More positively, in countries such as Canada, regions can add their own skills and occupational shortages for those destined to work in that particular province or territory. Other countries, such as Germany, have developed skills shortage lists associated with identified growth areas and industrial strategies. Such lists are also designed to address demographic change in the workforce.



## A points-based system is unsuitable for responding quickly to skill shortages

Our evidence suggests that successful shortage lists take a more long-term, strategic approach to skills needs rather than focusing on acute short-term needs, because the administrative process is too slow to keep pace with the day-to-day needs of a dynamic labour market. The main work route should seek to address those short-term needs. Longer-term strategic needs that the shortage list can help meet fall into two categories: one, essential labour needs that keep the country functioning, for example nursing. Two, growth sectors, for example as identified within the UK Industrial Strategy. For this latter group, valuable skills and competencies can be identified which meet the ‘grand challenges’ facing the UK economy<sup>16</sup>, including AI and the data revolution, low carbon technologies, transport, automation, infrastructure, and healthcare and an ageing workforce, and foreign workers who have these skills prioritised and fast-

tracked through the system. While salary thresholds may adjust over time, based on available evidence a dynamic and longer-term focused shortage list that sits alongside the main work route can provide a level of consistency in the functioning of the immigration system.

## 7. Points-based systems

### Points-based systems help build a pool of potential migrants who have ‘self-selected’

Some countries use points-based systems as a migration test. They can be a method of self-selecting; workers do not necessarily need a job offer to gain a work permit. The UK uses a points-based methodology differently, in a more focused way – to appraise employer applications for a Certificate of Sponsorship to employ a foreign worker under Tier 2.

Typically, countries using a points-based approach to manage their labour immigration system have very open stated immigration objectives. This is a major difference to most employer-led systems, which require a job offer. The objective of a points-based system is to align the pool of potential workers and their skills with a host country’s needs and requirements prior to any job offer. Australia operates a points-based system to test the eligibility of foreigners to gain a work permit. The scoring systems tend to include factors such as education level, wealth, connection with the country, language fluency, and existing job offers. Japan operates a point-based system for highly qualified workers, such as scientists, doctors, lawyers, business investors, and executives. In Canada the points-based system is only used for permanent residence applications.

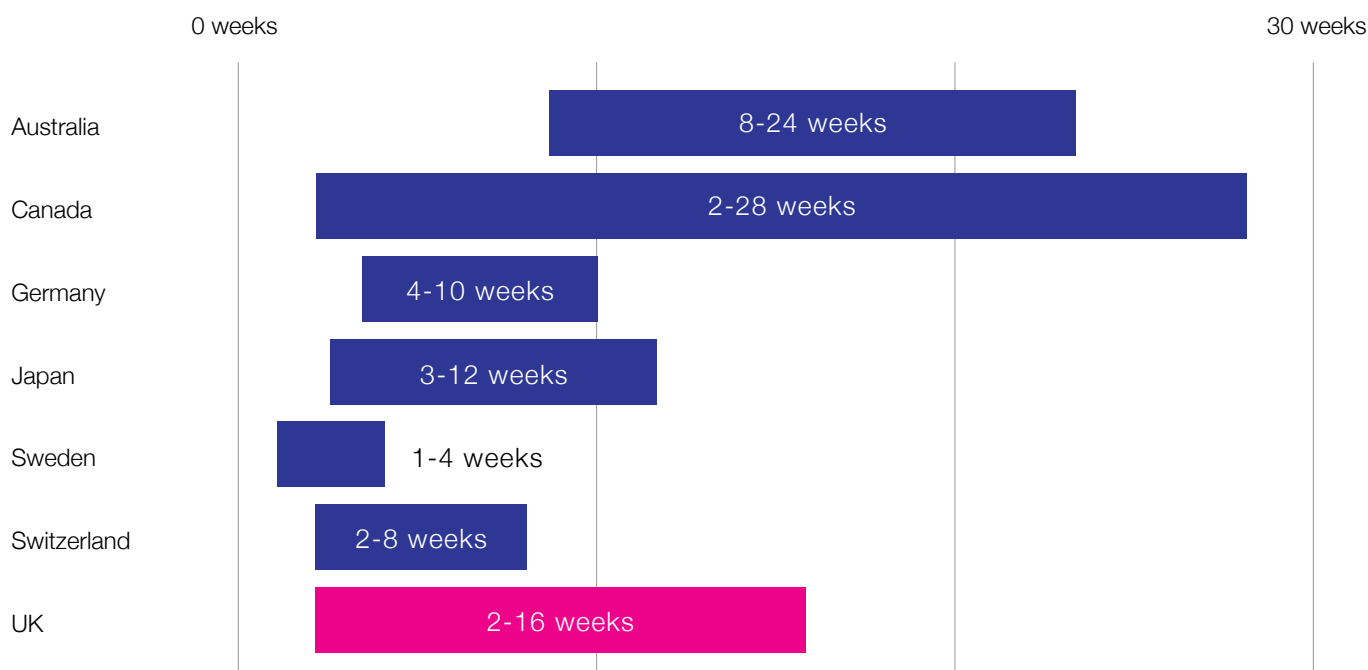
### Points systems that allow potential migrants to self-select are not as responsive to economic and labour market changes as purely employer-led systems

Developing a points-based system requires a large amount of detailed data on the immigration process and on immigrants’ performance over time. This can be cumbersome and requires a lot of administration. A points-based system is also unsuitable for responding quickly to skill shortages.

Evidence<sup>17</sup> suggests that points-based systems that incorporate job offers and language fluency can lead to better employment rates among immigrants. Canada and Australia incorporated job offers into their points-based systems to reflect this.

<sup>16</sup> HM Government, Industrial Strategy: Building a Britain fit for the future, November 2017.

<sup>17</sup> “Immigration systems What’s the point?” The Economist, July 7th 2016.

**Figure 7: Processing time for work permits**

Points-based systems as used in Australia and Canada have required frequent adjustments to keep up with changes in the economy and employers' needs. In both of these countries, such systems have provided a stock of available potential migrants, but some employers have been critical of these systems as being insufficiently responsive to their needs.

[Applying a points-based system approach as implemented in Australia and Canada to the UK would add extra bureaucracy and would change the complete framework of the UK system](#)

Whilst the UK already uses a points-based methodology in prioritising employer applications for Certificates of Sponsorship under Tier 2, it does not use a points-based, system-wide approach to define the operation of the whole labour immigration system, nor to build a stock of available potential migrants. In practice, points-based systems add complexity, are time consuming, and require significant administrative resources.

While a points-based system as applied in Australia creates a pool of potential candidates for employers to sift through, if they are based on broad criteria such as degree-level qualifications, they may not suit the needs of employers or the economy. When a points-based system is the only route to hiring foreign workers, it proves cumbersome and unwieldy. Points-based systems are useful in attracting interest and in providing an initial test of eligibility for foreign workers, but flawed as a way of managing immigration.

## 8. Government delivery

[The time taken to process work permits and visas varies significantly between countries](#)

Government delivery refers to the efficiency and effectiveness of managing the immigration process and delivering the skills that the economy needs.

The time taken to process a work permit and visa application varies from country to country, as seen in Figure 7.

The UK's current speed of processing compares well with that of other countries, but it could nevertheless be made more efficient, as Sweden, for example, has managed to achieve.

Any changes to an immigration system can affect the quality of 'government delivery'. Canada's labour market impact assessment, and Australia's recently introduced skills charge are both factors that have increased processing times for work permits in those countries.

The price of work permit fees is a good proxy to understand if a Government wants to set an extra hurdle to deter foreign workers, especially lower-paid ones, or if processes are working efficiently, reducing the need for high administration charges. Figure 8 gives an overview of work permit costs for each country. The UK has the second highest costs of our case study countries.

## Comparing international immigration policies and tools

In addition to work permit fees, a number of our countries, including the UK, levy additional costs, including, for example, health surcharges and insurance. These seek to minimise the potential impact of foreign workers on the health and welfare system. The UK's immigration skills charge, which is designed as a disincentive to hiring non-EEA workers, adds a substantial cost burden to employers, when the system is already expensive and employers are already paying the apprenticeship levy. However, there are no exemptions for paying the immigration skills charge.

**Figure 8: Approx. work permit fees**

Approx. work permit fees	
Australia	£825 - £2800
Canada	£730 - £805 (includes LMIA fee)
Germany	£67 - £90*
Japan	£27
Sweden	£45-£170
Switzerland	£51 - £600
UK	£809 - £1419

\*visa & residence fee, as there is no fee for the work permit in Germany

In addition to work permit fees, a number of our countries, including the UK, levy additional costs, including, for example, health surcharges and insurance. These seek to minimise the potential impact of foreign workers on the health and welfare system. The UK's immigration skills charge, which is designed as a disincentive to hiring non-EEA workers, adds a substantial cost burden to employers, when the system is already expensive and employers are already paying the apprenticeship levy<sup>17</sup>. However, there are no exemptions for paying the immigration skills charge.

A potential risk with a move to a new UK single system and a requirement for EEA workers to apply for visas alongside non-EEA workers is that visa processing times could markedly increase. UK employers, particularly those that have not had to engage with the immigration system before, will need time to adjust. The Government will need to ensure that system changes do not introduce new layers of bureaucracy and that employers are supported over a suitable transition period. It is already testing a new digitised approach to visa processing

with the EU settled status scheme<sup>19</sup>. Employer reactions to this have been positive and this is a positive signal of what could be achieved across the rest of the new system.

Another way for Governments to streamline processes is to use approved employer sponsor systems, ensuring that all employers that wish to hire a foreign worker meet certain standards. These standards typically include track records of compliance with immigration rules, proof of registration with tax authorities, or evidence of a skills and training programme. Figure 9 gives an overview of what our different survey countries demand as evidence to prove eligibility to sponsor a foreign worker. Some of these documents are harder to provide, especially for small and medium-sized businesses or start-ups, so enough support needs to be provided to ensure that companies are not excluded from accessing foreign workers if needed.

To oversee the operation of its immigration system and to identify opportunities to streamline processes as far as possible for employers, Sweden operates a single agency, the Swedish Migration Agency, which works with relevant Government departments. Plans are in place to reduce the document burden for businesses in 2019 and to further improve the functioning of the system. Other countries, like Germany and Switzerland, use an independent agency to work with different parts of Government, including Job Centres, to update shortage lists and inform policy making.

To ensure that a new immigration system in the UK can work efficiently and dynamically, and that policy making is evidenced, it is crucial that the right mechanism is put in place that allows all government departments that have an interest in the operation of the UK labour market, to work together to inform policy making. Ideally, this mechanism would take the form of a single independent agency that can coordinate all necessary evidence and has the power to drive policy change. This already happens in other countries that we have studied, and similar agencies already exist in other parts of the UK Government, for example the Office for Budget Responsibility (OBR). The OBR assesses and reports on the Government's fiscal performance, produces detailed public finance forecasts and scrutinises fiscal policy. It is both well respected and resourced. Given its importance, it is right that the UK's immigration system has a similar body that can act in the country's best interests.

<sup>17</sup> All employers with a pay bill over £3million each year must pay the apprenticeship levy, which amounts to 0.5% of payroll. The money is placed into a digital account. Employers can then use the funds, with a 10% top-up from Government, to cover the cost of training for apprentices they employ. Levy funds left unspent after 2 years will revert to the Treasury.

<sup>18</sup> The EU Settlement Scheme is for all EU citizens and their families to register their presence in the UK to be able to live and work in the UK after 31 December 2020.

**Figure 9: Overview of document burden for employer registration as a sponsor**

	AUS	CA	GER	JPN	SE	CH	UK
Track record of compliance with immigration rules	✓	✓					✓
Track record of paying min. salaries or above	✓						
Proof to be a certain type of company	✓				✓		
Proof of a skills and training programme for local labour	✓						✓
Company certificates		✓			✓		
Company registration							✓
Annual accounts							✓
Employer's liability certificates							✓
Registered with Tax Authority		✓			✓		✓

Source: Survey conducted with PwC immigration experts

## 9. Registration, controls and monitoring

### To control and manage immigration, systematic registration and checks are needed

Many of the countries (Germany, Sweden, Switzerland, and Japan) that we have considered have systems of registrations for all people resident in their country, whether citizen or immigrant. Typically, at the point of arrival, or after moving home, every person needs to register their new address with the local authorities, for example at a police station or city hall. The person is issued with a registration number that may be required to access other essential services, such as health care and banking.

Immigration registration and controls should ensure that foreign workers meet conditions of entry, work, and residence. Sweden additionally implements detailed entry and exit checks where Border Force and the Migration Agency work together to establish the right of re-entry for immigrants, i.e. whether the conditions for their immigration status have changed, and to confirm their exit after their job has ended.

The UK, Australia and Canada do not use registration systems, instead using proxies such as National Insurance/social security registration and utility bills as proof of rightful residence.

Registration systems and proper entry and exit checks can provide countries with better quality, reliable data on immigration

flows and stock. This helps to better inform policy making, give a sense of control, and build trust with the public. The UK has suffered in the absence of such controls, and with poor quality immigration data derived from secondary sources, such as the International Passenger Survey, policy has tended to lack a basis for evidence.



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## IV. CONCLUSIONS AND RECOMMENDATIONS



## Conclusions

Future immigration policies will need to provide for a diverse range of skills, employers, industries, and regions

In a post-Brexit climate, assuming there is no preferential right of access for EEA workers, a future immigration system will need to see significant reforms to the current principal route for non-EEA workers, Tier 2, if the UK economy is to meet its growth potential.

This new system should have two underlying principles. The first principle is that foreign workers should only be hired when the role cannot, in practice, be filled from the existing labour pool, locally or nationally. The second principle needs to be governed by the first: when the first principle is met, the immigration system needs to be swift, effective, and easy to navigate.

Drawing on the lessons from international practice set out above, and building on the areas where the current UK system works well, the new UK approach should:

- **Set clear objectives.** Policy delivery can only be effective if there are clear goals, supported by effective monitoring and performance management. This needs better data, and a strong and independent watchdog;
- **Expand its focus from high-skilled workers.** Only high-skilled workers are eligible under the current Tier 2 route and in the future this focus would be too narrow. Currently, 42% of foreign workers in the UK are engaged in medium-skilled jobs, and 16% are engaged in lower-skilled jobs. This means changing the vocational skills level to a minimum of RQF 3, as recommended by the MAC; but it also means reducing the salary threshold to reflect the fact that average earnings sit below the current £30,000 threshold in a number of sectors that rely on foreign workers at all skill levels<sup>1</sup>. We would not want to see a hard stop to access these crucial workers; and
- **Abolish arbitrary quotas.** If there is a need that cannot be met locally, then employers should be able to recruit from overseas to fill the role.

We set out below a five-point approach to deliver such a system in detail.



<sup>1</sup>See Appendix F: Overview of skill levels

## Recommendations: A five-point approach to meeting the needs of the UK economy

These recommendations set out how the current Tier 2 rules for non-EEA workers should be reformed to create a new Global Work Route for a new fair and managed single system for all foreign workers.



**1. Take an evidence led approach, based on business and economic need**



**2. Create an employer-led system that works for all skill levels that are in demand in our country**



**3. Protect existing workers and communities**



**4. Create a forward looking system that is flexible and responsive**



**5. Make the system more streamlined, fair, and straightforward to use**

### 1. Take an evidence-led approach, based on business and economic need

The prime rationale for facilitating the hiring of foreign workers should be to support the UK's global aspirations, economic prosperity, and social welfare. Setting numerical quotas and targets has been shown to be ineffective, and such measures do not support the needs of the economy. Nor do they present the UK as an ambitious global economy to the world.

We recommend the Government:

- **abolish the Tier 2 quota.** Where a clear need for foreign workers has been demonstrated and they have already been vetted through the visa process, they should not then be prevented from coming to the UK by a blunt cap;
- continue to work with the ONS and the Home Office to **improve the reliability of immigration data;**
- put the MAC on a similar statutory footing as the Office for Budget Responsibility to **create an Office for Migration Responsibility (OMR) to act as an official independent migration agency.** The OMR would deliver an annual review to Parliament, drawing on input from relevant Government departments (HO, HMT, DfE, DWP) and business, to ensure the immigration system is working in the interests of the UK in the short to long term, ensuring policy supports business and economic need, and that operational processes are efficient and effective. The OMR would work to inform policy-making, as well as evaluating the impact of policy and
- **abolish the net migration target.** Instead the main objective of a new immigration system should be to support global success, economic prosperity, and social welfare.



## 2. Create an employer-led system that works for all skill levels that are in demand in our country

The current Tier 2 route focuses on highly skilled non-EEA workers. This has served the UK well in combination with the Freedom of Movement of workers within the EEA, which has helped to fill demand for medium- and lower-skilled workers. With the UK economy at near full employment and the objective of unifying the system for all foreign workers after Brexit, it is important that employers can continue to employ the workers they need at a broad range of skill levels. To avoid a cliff-edge scenario in the supply of labour to UK employers once the UK leaves the EU, the system will need to be capable of managing both the long-term recruitment of medium-skilled and high-skilled workers. It will also need to allow employers to continue to access lower-skilled workers in the short term. For this latter group, access can be reduced over time through tightening the criteria if the evidence supports this, as the UK's skills system improves and automation technology increasingly reduces the demand for these types of occupations.

The Government should:

- require all foreign workers to have a job before coming to work in the UK.** This means access to the labour market is only possible with an employer-sponsored work permit. This is already the case under the current Tier 2 rules for non-EEA workers;
- set the national salary threshold at £20,155 p.a.,** the equivalent of London Living Wage. Setting a national salary threshold is an art rather than a science, and there are competing pressures to manage. Currently 64% of all jobs in the UK are paid below £30,000, setting a lower salary threshold will enable employers to access foreign workers if needed for these roles. Potential shocks to employers need to be minimised as the new immigration system is introduced, whilst setting the conditions that drive more domestic workers to undertake these lower-paid roles. It will be important to keep this rate under review so that necessary adjustments could be made if the evidence supports this;
- maintain national occupational salary requirements for foreign workers,** to ensure that they do not undercut domestic workers and put downward pressure on wages. These pay rates will be set at or above the salary threshold of £20,155. This will additionally create upwards salary pressures for many medium-skilled jobs which will benefit domestic workers;
- widen the skills threshold to allow eligibility for medium-skilled jobs at RQF3 or above** (A-level/advanced apprenticeship level or equivalent) as recommended by the MAC in addition to high-skilled jobs. Seasonal and short-term visa schemes for lower-skilled workers for jobs below RQF3 should also be put in place outside the reformed Tier 2 route to meet demand in specific sectors, such as food and retail; and
- allow foreign workers to move into an equivalent or higher-level job within their organisation or with a new employer without the need for a new work permit,** to safeguard workers from exploitation and downward wage pressures, as well as to promote greater labour market flexibility.

**Figure 10: Examples of occupations and their skill and salary level according to current 'Immigration Rules Appendix J' of the Home Office**

\* indicates that these jobs are on the Shortage List (Immigration Rules Appendix K)

### RQF3

Graphic designer	£21,300*
Civil engineering technician	£21,900
Importers and exporters	£25,300

### RQF4

GP practice manager	£25,300
Translator/Interpreter	£22,800
Data analyst	£21,400*
Meat hygiene inspector	£25,400

### RQF6

Nurses (NHS Band 3 – NHS Band 6 are < £30,000)* (i.e. average salary for a practice nurse is £21,000 – £35,000)
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### 3. Protect existing workers and communities

It is clear that we need to protect domestic workers and ensure that they are given preference in recruitment over foreign workers, when all required skills are met. With an ever-changing economy and rapidly evolving skills needs, it is crucial to ensure that domestic workers will receive the necessary upskilling to keep pace with the labour market.

The Government should introduce a **reformed RLMT**, reflecting the wider skills criteria. This means:

- maintain the **RLMT for all medium-skilled jobs at RQF3 and RQF4**. Jobs would need to be advertised through 'Find a job'<sup>2</sup> to ensure that appropriate controls are in place for lower-medium skilled foreign workers and domestic workers are given priority to apply for these jobs;
- the RLMT for these medium-skilled occupations would also include a **'Swiss-style' emergency brake** on

releasing work permits for occupations where the **unemployment rate in the past year was 8% or higher**. This will also protect local workers and will ensure that wages will rise with demand, without letting foreign workers undercut this – for example if the salary bands registered with the authorities become outdated. The OMR would report every year on the unemployment levels in all occupations;

- **reviewing the operational processes that sit behind the RLMT**, to ensure it is fit for purpose. This could include reducing the amount of time a job has to be advertising for from 28 to 21 days and to decrease the document burden of proof that employers currently have to hold for the Home Office; and
- **remove the RLMT for all medium- and high-skilled jobs, RQF5 and above.**

### 4. Create a forward-looking system that is flexible and responsive

To ensure that the UK's immigration system works for many years to come it is also important to look at the long-term strategic priorities of the country and the economy. A new dynamic and strategic approach to the UK's Shortage Occupation List (SOL) should be taken that provides long-term streamlined access to in-demand roles. This would work alongside the salary threshold to provide additional security that priority labour needs can be met, particularly in the event that the salary threshold starts to rise over time.

The Government should **reform the SOL** so that:

- it is aligned with the **growth areas** and sectors highlighted in the **Industrial Strategy**, moving away from listing separate occupations, as especially in new sector areas, occupation titles and needs shift quickly;

- it is aligned with the **essential labour needs of the country and includes medium- and lower-skilled roles** for example in the health and care sectors; and
- appropriate workers are given **fast-tracked access**, recognising their crucial role in the economy. Those at **RQF3 and 4 would not be subject to the RLMT**. The small volume of roles paying less than £20,155 (e.g. university junior lab technicians) would be exempt from the national salary threshold. The OMR would keep the shortage list under review, working with business and Government.

<sup>2</sup> Government website for job search – <https://www.gov.uk/jobsearch>

## 5. Make the system more streamlined, fair, and straightforward to use

Once the UK leaves the EU, the UK's immigration system for worker entry will need to be able to cope with much higher levels of use and demand. It will also need to be suitable for use by a wider range of employers, including SMEs. The system will need to be straightforward to use and the rules and processes understandable – digitally enabled and in plain English. The process for employers to become sponsor licence holders for the first time needs to be easy, and the system should work on the basis of the minimum level of documentation/regulation required to ensure that everyone is playing by the rules. Costs to employers of using the system should be fair.

To make the system more streamlined and straightforward to use, the UK Government should:

- commit to a phased **programme to digitise the UK immigration system**, underpinning it with real-time robust immigration data, building on its ambitions with the new EU settled status scheme. An objective is to move away from a paper-based system towards one that creates a single digital immigration status for applicants, where key documents like passports can be submitted electronically.
- **remove regulations, red tape and documentation** that create unnecessary bureaucracy for employers and Government without adding to control, at each stage in the process – obtaining a sponsor license, hiring and overseeing the employment of foreign workers (see Appendix G for more detail);
- introduce a **light-touch sponsorship model for temporary and low-skilled recruitment**. Schemes that sit outside the reformed Tier 2 should not face the same levels of regulation to allow for short-term and responsive access to workers;
- introduce a **third-party sponsorship model for tech and creative start-ups and SMEs**, where umbrella organisations manage the visa processes on their behalf. These types of businesses are not equipped to navigate the requirements of the immigration system; trusted third parties, such as trade associations, would take on the burden and enable employers to focus on running the business;
- introduce clear **new immigration rules** in plain English. The Immigration Rules have changed so often over the last ten years that it has become increasingly complex for business to understand them and for Government to communicate and enforce them. Now is the time to put a new rulebook in place;
- implement an **effective and responsive helpline** staffed by people who have sector expertise and
- **axe the Immigration Skills Charge**. This is a high levy on employers in a system that is already expensive to use. Business is already paying the apprenticeship levy alongside other taxes, and unnecessary charges that add to the cost burden need to be removed – particularly at a time when economic circumstances are challenging.

## Trade Deals

Our recommendations are designed to support the Government's start-point that the new post-Brexit immigration system will not discriminate by country of origin, unless part of a wider trade deal.

The detail of what preferential access might look like in a trade deal sits outside the scope of this report. However, it is worth noting that lessons could be learnt from countries like Germany, which operates a 'favoured nationals' arrangement with certain trading partners where these workers are exempt from the need

to apply for a work visa before entering Germany. The UK could explore a similar arrangement, for example a light-touch 'three month preferential visa' to allow these foreign workers to come to the country to seek and apply for a job. Other measures could include exempting these workers from the RLMT, if they are at RQF level 3 and above, or prioritising them in the shortage occupation list.

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## APPENDICES

## Appendix A – Definition of key terms and abbreviations

### Approved employers/sponsors

Approving employers/sponsors enables Governments to differentiate between low- and high-risk employers.

### Brexit

The UK's anticipated withdrawal from the European Union and its institutions on 29 March 2019 at 23.00 GMT.

### DfE

Department for Education

### DWP

Department for Work and Pensions

### Entry/Exit checks

Many countries exercise a border control regime both for entries and exits, thereby accounting for the numbers of people come into and who leave a country. Border force is in charge of execution.

### European Economic Area (EEA)

The European Economic Area (EEA) is the area in which the Agreement on the EEA provides for the free movement of persons, goods, services and capital within the European Single Market, including the freedom to choose residence in any country within this area. The EEA was established on 1 January 1994, upon entry into force of the EEA Agreement. The contracting parties are the European Union (EU), its member states, and the member states of the European Free Trade Association (Iceland, Liechtenstein and Norway).

### EU Blue Card

The Blue Card is an approved EU-wide work permit allowing high-skilled non-EU citizens to work and live in any country within the European Union, excluding Denmark, Ireland and the United Kingdom.

### EU countries

The countries within the European Union (as of 2016) excluding the United Kingdom (for comparison purposes against the UK). These are as follows: Austria, Belgium, Bulgaria, Cyprus, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain and Sweden.

### EU migrants

A person born in one of the EU countries (q.v.) but living in UK at the time of data collation.

### Foreign worker

A worker born outside of the UK. People born in British Overseas Territories are classified in this report as foreign-born. This includes all foreign workers from EU, EEA/Switzerland, and non-EU countries.

### Freedom of Movement

One of the EU's 'Four Freedoms' allowing EU citizens to move freely between member states as well as to work, live, and study there. This right is guaranteed as long as the individual is not an undue burden on the social welfare system or public safety in their chosen member state. There are special mobility arrangements in place between the EU and EEA countries, as well as Switzerland.

### High-skilled workers

These workers hold 'professional' occupations and high-level positions in various fields. Occupations at this level normally require a degree or equivalent period of relevant work experience. In most instances they are holders of a master's degree or PhD allowing them to analyse complex problems and deliver original responses to them.

### HMT

Her Majesty's Treasury, sometimes referred to as the Exchequer, or more informally the Treasury

### HO

Home Office

### Immigration Skills Charge

Currently, this is set at £1000 per skilled worker per year in the Tier 2 (General) and Tier 2 (Intra-company Transfer) routes.

### Industrial Strategy

A Government initiative to enhance productivity, job offers and wealth creation in the UK through investments in skills, infrastructure, and industries.

### Labour market tests

Labour market tests aim to ensure existing employees are not disadvantaged by foreign workers

## Appendices

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### Labour shortage

This occurs when the demand for a given type of worker exceeds the number of willing candidates at the prevailing wage and working conditions in that occupation.

### London Living Wage

The London Living Wage is currently £10.20 per hour and £20,155 per annum. It covers all boroughs in Greater London.

### Low-skilled workers

Lower-skilled occupations are associated with a limited skill set or minimal economic value for the work performed. Unskilled labour is mostly characterised by a lower educational and/or training profile and tends to be in the lower salary echelons. However, workers from this group prove appropriate for a whole range of job roles which require minimum supervision and training.

### LMIA

The Canadian labour market impact assessment system

### MAC

Migration Advisory Committee

### Medium-skilled workers

Medium-skilled workers are associated with a range of skills either acquired through apprenticeships, work experience or through certificates and diploma. They develop specialised knowledge within their professional field and span the gap between GSCE/A level leavers and knowledge-based professionals.

### Migrant

Someone living in the UK at the time of the ONS Labour Force Survey, but who was born in another country – i.e. a foreign-born resident.

### Migrant proportion

The percentage of non-UK born residents living in the area, borough, city or country in question.

### Non-EU countries

All countries of the world that are not the UK and are not EU countries (q.v.)

### Non-EU migrant

A person born in one of the non-EU countries (q.v.) but living in UK at the time of data collation.

### RQF

Regulated Qualifications Framework

### OBR

Office for Budget Responsibility

### Occupational salary requirements

Occupational salary requirements are set by the Home Office and reflect the appropriate national salary levels that need to be paid to a foreign worker entering the occupation to ensure that foreign workers do not undercut domestic workers.

### OMR

Office for Migration Responsibility [envisioned by report]

### ONS

The UK Office of National Statistics

### Points-based systems

Points-based systems help build a pool of potential migrants who have 'self-selected'.

### Registration

Many countries have official systems of registrations for all people resident in their country, whether citizen or immigrant to determine e.g residency.

### Quotas

Quotas are primarily a method of limiting and controlling immigration

### RCoS

Restricted Certificates of Sponsorship

### Resident workforce/Domestic worker

People who live, and are economically active (q.v.), in the area in question. For example, London's Resident Workforce live and work in London (q.v.)

### RLMT

The Resident Labour Market Test

### Skill levels (occupations)

Throughout this report, the skills levels of jobs are referred to as 'high-', 'medium-', or 'lower-skilled' jobs. This definition is made according to the occupation (or type of job) that is undertaken. [see: High-skilled workers, medium-skilled workers, low-skilled workers]





### Skills requirements

Skills requirements refer to a specific acquired education level that is needed to perform a specific occupation.

### Skills shortage list

Skills shortage lists can target foreign workers to address acute labour market needs in recognised occupations, often outside of the eligibility of the common workers route. Canada calls its version 'Occupation in demand' list.

### Salary threshold

Salary thresholds are used as hurdle for higher skill levels

### SMEs

Micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons

### Third country citizen

A citizen of a country outside the EU, the EEA, and Switzerland.

### Trendline

A line (or curve) indicating the general course or tendency of a dataset. It is used to indicate where values are higher and lower than might be expected if the data were to stay exactly 'on trend'.

### UK

The United Kingdom of Great Britain and Northern Ireland

## Appendix B – Overview of the UK’s immigration system Tier 1 - 5

### Tier 1 Entrepreneur

This category is available to individuals who want to set up or run a business in the UK and have access to £50,000 of investments funds (restrictions apply).

**Duration:** 5 years

**Minimum salary:** N/A

**Dependants allowed:** Yes

**Dependants right to work:** Yes (some restrictions apply)

**Route to Settlement:** Yes (can be accelerated to 3 years in certain circumstances, this does not apply to dependants)

### Tier 1 Graduate Entrepreneur

This category is available to graduates with recognised genuine and credible business ideas.

**Duration:** 2 years

**Minimum salary:** N/A

**Dependants allowed:** Yes

**Dependants right to work:** Yes (some restrictions apply)

**Route to Settlement:** No

### Tier 1 Investor

This category is available to investors with £2,000,000 or more to invest in approved UK investments.

**Duration:** 5 years

**Minimum salary:** N/A

**Dependants allowed:** Yes

**Dependants right to work:** Yes

**Route to Settlement:** Yes (after 2 years if invested £10 million in the UK or after 3 years if invested £5 million in the UK, this does not apply to dependants)

### Tier 2 (ICT)

This category is available to employees of an overseas entity who are being transferred to a UK branch. Sponsorship is required through a licensed UK employer. Workers can be transferred as short or long-term staff or as graduate trainees.

**Duration:** 5 years (less than £120,000 a year) or 9 years (more than £120,000 a year), Graduate trainee: 12 months

**Minimum salary:** Long term: £73,900; Graduate trainee: N/A

**Dependants allowed:** Yes

**Dependants right to work:** Yes (some restrictions apply)

**Route to Settlement:** No

### Tier 2 (General)

This category is available to individuals with a skilled job offer in the UK. Sponsorship is required through a licensed UK employer.

**Duration:** 6 years

**Minimum salary:** £30,000 from 6 April 2017

**Dependants allowed:** Yes

**Dependants right to work:** Yes (some restrictions apply)

**Route to Settlement:** Yes (after 5 years)

### Tier 4 General Student

This category is available to students over the age of 16 wanting to study a recognised course in the UK. Sponsorship is required through a licensed UK education provider. Work restrictions apply.

**Duration:** Length of course of study

**Minimum salary:** N/A

**Dependants allowed:** Yes (specific restrictions apply)

**Dependants right to work:** Yes

**Route to Settlement:** No



### Tier 5 Government Authorised Exchange

This category is available to individuals coming to the UK for a limited period of time for work experience or training, for an Overseas Government Language Programme, research or fellowship through an approved Government authorised exchange scheme. Sponsorship is required through a licensed sponsor.

**Duration:** 1 or 2 years (depending on the scheme they are applying for)

**Minimum salary:** National Minimum Wage

**Dependants allowed:** Yes

**Dependants right to work:** Yes

**Route to Settlement:** No

### UK Ancestry

This category is available to Commonwealth citizens with a grandparent born in the UK and who plan and are able to work in the UK.

**Duration:** 5 years

**Minimum salary:** N/A

**Dependants allowed:** Yes

**Dependants right to work:** Yes

**Route to Settlement:** Yes (after 5 years)

### EEA Residence Card

This is a document available to non-EEA family members of EEA nationals to enable them to travel with or join their EEA national family member in the UK.

**Duration:** 5 Years

**Minimum salary:** N/A

**Dependants allowed:** Yes

**Dependants right to work:** Yes

**Route to Settlement:** Yes (after 5 years)

### EEA Family Permit

This is a document available to non-EEA family members of EEA nationals to enable them to travel with or join their EEA national family member in the UK.

**Duration:** 6 months

**Minimum salary:** N/A

**Dependants allowed:** Yes

**Dependants right to work:** Yes

**Route to Settlement:** Yes (5 years in conjunction with EEA Residence Card)

### Tier 5 Youth Mobility Scheme

This category is available to individuals from Australia, Canada, Japan, Monaco, New Zealand, Hong Kong, Republic of Korea and Taiwan as well as holders of certain types of British nationality who are between 18 and 30 years of age.

**Duration:** 2 years

**Minimum salary:** N/A

**Dependants allowed:** No

**Dependants right to work:** N/A

**Route to Settlement:** No

### EEA Registration Certificate

This is a document available to EEA nationals to confirm their right to live in the UK on the basis of exercising Treaty rights through employment, self-employment, study, self-sufficiency or as a job-seeker.

**Duration:** valid as long as the EEA national remains in the UK exercising treaty rights

**Minimum salary:** N/A

**Dependants allowed:** Yes

**Dependants right to work:** Yes

**Route to Settlement:** Yes (after 5 years exercising treaty rights)

### EEA Permanent Residence (valid until 29 March 2019)

This is a settlement category available to EEA nationals and their non-EEA family members who have been exercising Treaty rights in the UK for a period of 5 years through employment, self-employment, study, self-sufficiency or as a job-seeker. However, this scheme is set to end when the UK officially leaves the EU on 29 March 2019. From then, a new EU/EEA citizen registration scheme will be installed: the "Settled and pre-settled status for EU citizens and their families". EU/EEA citizens who will have lawfully arrived in the UK before 29 March 2019 will be required to register between March 2019 and 30 June 2021 to remain in the UK. Currently, the UK and the EU are still negotiating if this will involve indefinite leave to remain. Individuals who hold a EEA Permanent Residence will not be charged; all others will have to pay a fee of £65 (16+ years) and/or £35.50 (16 and under).

**Duration:** Indefinite

**Minimum salary:** N/A

**Dependants allowed:** Yes

**Dependants right to work:** Yes

**Route to Settlement:** This is settlement

## Appendix C – Labour market and immigration data in survey countries



In Figures 11-15, we compared some of our case study countries to give an overview of recent changes for the unemployment rate, the immigrant inflow of the year and of the unfilled vacancies in the given year. The graphs show that in most cases the inflow of immigrants was below the number of unfilled vacancies, leading to the assumption that immigrants are on average not taking jobs from the native population. This is also evident in the stable, or in most cases actually decreasing, unemployment rates, despite the changing nature of the immigration inflows. The high levels of unfilled vacancies are also evidence that there is a further clear demand in most advanced economies for (more) imported labour to fill these vacancies and help the economy to grow.

### Figure 16: Germany

The situation in Germany is heavily influenced by the relatively vast influx of non-EU individuals during the European Refugee Crisis – as the sharp rise to 1,810,904 people in the year of 2015 in the graph above illustrates. However, the trend of rising unfilled vacancies - coupled with sinking numbers of migrants coming to Germany - appears to continue. The country's unemployment rate remains one of the lowest in the European Union at currently 5%.

### Figure 17: Japan

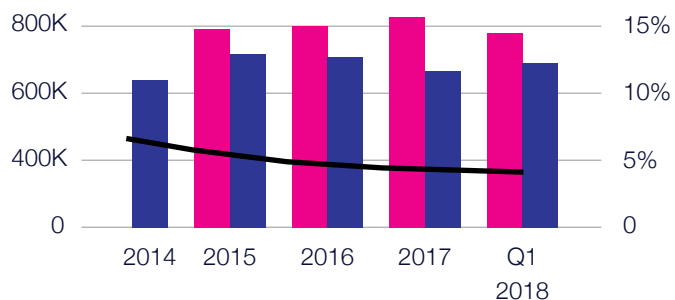
The graph on the right encapsulates Japan's dilemma in relation to its labour market: despite relatively high numbers of unfilled vacancies (a total of 1,900,000 in 2017) together with a low unemployment rate of 2.83% (2017), the number of new immigrants per year remains considerably low with 232,100 permitted foreigners coming to Japan in 2017. Put simply: the considerable demands of the labour market are not sufficiently tackled. The Government hopes that recent changes to opening up the immigration system to more skill levels will help with filling the high number of unfilled vacancies.

<sup>1</sup> Germany does not differentiate between immigrants and refugees in its official numbers of inflows of foreigners.

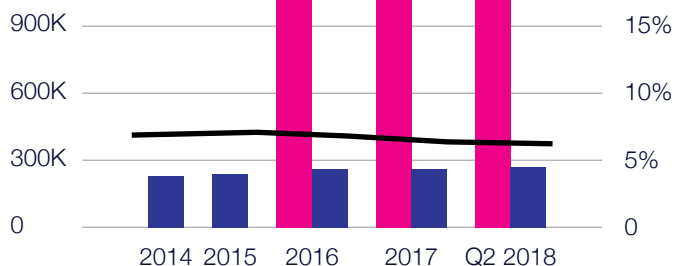
**Figures 11-17: Number of unfilled vacancies compared to total immigration inflow per year and development of unemployment rate**

■ Immigrant inflow ■ Unfilled vacancies — Unemployment rate

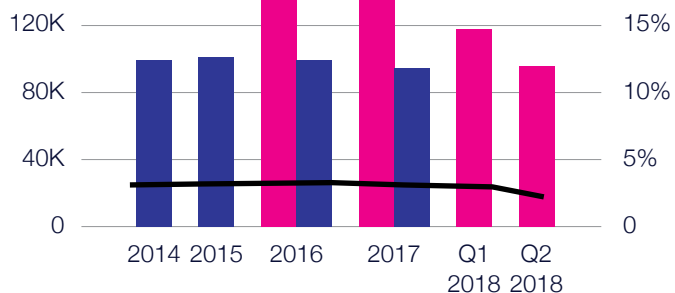
**Figure 11: United Kingdom**



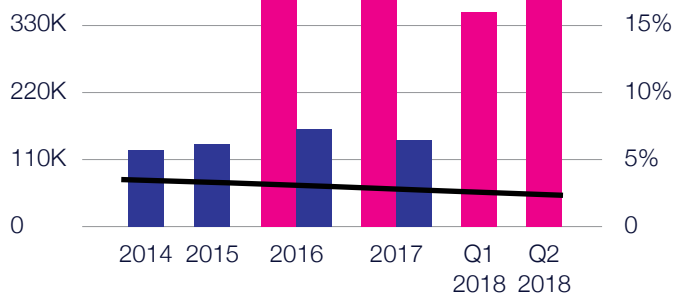
**Figure 12: Canada**



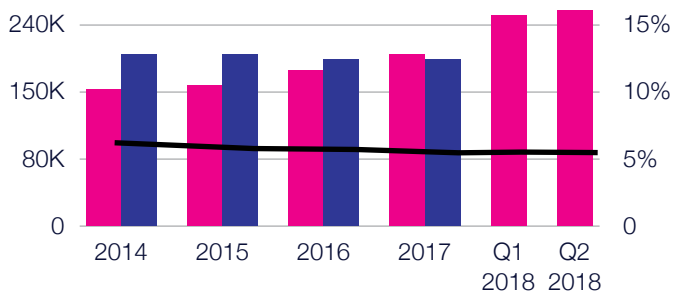
**Figure 13: Switzerland**



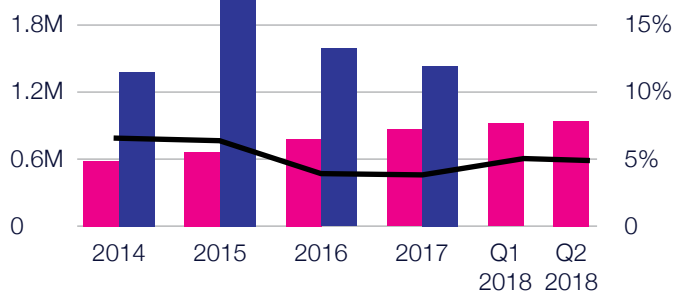
**Figure 14: Sweden**



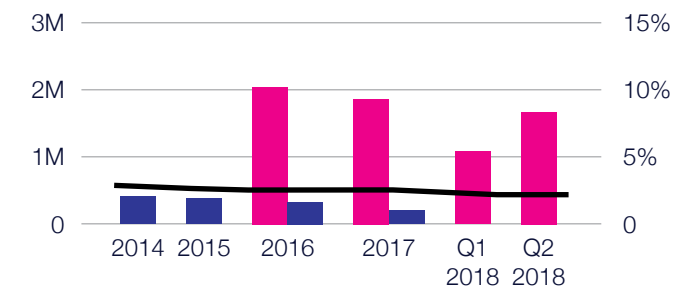
**Figure 15: Australia**



**Figure 16: Germany**



**Figure 17: Japan**



## Appendix D – Data Sources for labour market and immigration data

### Australia

- Australian Bureau of Statistics - [www.abs.gov.au](http://www.abs.gov.au)
- OECD - [www.data.oecd.org](http://www.data.oecd.org)
- UN - [www.un.org](http://www.un.org)
- Home Affairs Australia - [www.homeaffairs.gov.au](http://www.homeaffairs.gov.au)
- Australian Parliament - [www.aph.gov.au](http://www.aph.gov.au)

### Canada

- UN – [www.un.org](http://www.un.org)
- Statistics Canada – [www.statcan.gc.ca](http://www.statcan.gc.ca)
- Worldbank – [www.worldbank.org](http://www.worldbank.org)
- Government of Canada – [www.canada.ca](http://www.canada.ca)

### Germany

- UN – [www.un.org](http://www.un.org)
- OECD - [www.data.oecd.org](http://www.data.oecd.org)
- Statistisches Bundesamt – [www.destatis.de](http://www.destatis.de)
- Eurostat – [www.ec.europa.eu/eurostat](http://www.ec.europa.eu/eurostat)
- Deutsche Arbeitsagentur
- Bundesamt für Migration und Flüchtlinge – [www.bamf.de](http://www.bamf.de)
- Bundeszentrale für politische Bildung – [www.bpb.de](http://www.bpb.de)

### Japan

- Worldbank – [www.worldbank.org](http://www.worldbank.org)
- UN – [www.un.org](http://www.un.org)
- OECD – [www.oecd.org](http://www.oecd.org)
- Statistics Bureau Japan – [www.stat.go.jp](http://www.stat.go.jp)
- Statistics of Japan – [www.e-stat.go.jp](http://www.e-stat.go.jp)

### Sweden

- UN – [www.un.org](http://www.un.org)
- Eurostat – [www.ec.europa.eu/eurostat](http://www.ec.europa.eu/eurostat)
- SCB - [www.scb.se](http://www.scb.se)

### Switzerland

- UN – [www.un.org](http://www.un.org)
- Eurostat – [www.ec.europa.eu/eurostat](http://www.ec.europa.eu/eurostat)
- Staatssekretariat für Migration SEM – [www.sem.admin.ch](http://www.sem.admin.ch)
- Bundesamt für Statistik BFS – [www.bfs.admin.ch](http://www.bfs.admin.ch)
- Arbeit SWISS – [www.amstat.ch](http://www.amstat.ch)

### United Kingdom

- UN – [www.un.org](http://www.un.org)
- Eurostat – [www.ec.europa.eu/eurostat](http://www.ec.europa.eu/eurostat)
- UK Parliament – [www.researchbriefings.files.parliament.uk](http://www.researchbriefings.files.parliament.uk)
- ONS – [www.ons.gov.uk](http://www.ons.gov.uk)
- OECD - [www.data.oecd.org](http://www.data.oecd.org)
- UK Government Web Archive – [www.webarchive.nationalarchives.gov.uk](http://www.webarchive.nationalarchives.gov.uk)



## Appendix E – Methodology for devising UK occupational shortage lists by the MAC

Type of Indicator	Indicator	Threshold To Be Met
Price-based	Change in median hourly pay for all employees (%)	Median plus 50% of the median
	Change in mean hourly pay for all employees (%)	Median plus 50% of the median
	The pay premium a worker gets by working in the occupation, holding age and region constant	Median plus 50% of the median
Volume-based	Change in unemployment by occupation (%)	Median plus 50% of the median
	Change in estimated level of employment (%)	Top quartile
	Change in median hours for full-time employees (%)	Top quartile
	Change in proportion workers in occupation for less than one year	Median plus 50% of the median
'Indicators of imbalance'	Change in median vacancy duration	Top quartile
	Ratio of vacancies to unemployment in the occupation	Top quartile
Employer-based perceptions	'Skill shortage vacancies' as a percentage of all vacancies	Median plus 50% of the median
	'Skill shortage vacancies' as a percentage of all hard-to-fill vacancies	Top quartile
	Skill shortage vacancies as a percentage of total employment	Median plus 50% of the median

Source: MAC report: assessing labour market shortages, January 2017







## Appendix F – Overview

### Lower-skilled: RQF Level 1-2

Lower-skilled Labour is associated with a limited skill set or minimal economic value for the work performed. Unskilled labour is mostly characterized by a lower educational and/or training profile and tends to be in the lower salary echelons. However, workers from this group prove appropriate for a whole range of job roles which require minimum supervision and training.

#### RQF1:

These recognise basic knowledge as well as skills and the ability to apply learning with guidance or supervision. Learning at this level is about activities that mostly relate to everyday situations and may be linked to job competence.

- GCSE - grades 3, 2, 1 or grades D, E, F, G
- level 1 award
- level 1 certificate
- level 1 diploma
- level 1 ESOL
- level 1 essential skills
- level 1 functional skills
- level 1 national vocational qualification (NVQ)
- music grades 1, 2 and 3

#### RQF2:

These recognise the ability to gain a good knowledge and understanding of a subject area of work or study, and to perform varied tasks with some guidance or supervision. Learning at this level involves building knowledge and/or skills in relation to an area of work or a subject area and is appropriate for many job roles.

- CSE - grade 1
- GCSE - grades 9, 8, 7, 6, 5, 4 or grades A\*, A, B, C
- intermediate apprenticeship
- level 2 award
- level 2 certificate
- level 2 diploma
- level 2 ESOL
- level 2 essential skills
- level 2 functional skills
- level 2 national certificate
- level 2 national diploma
- level 2 NVQ
- music grades 4 and 5
- O level - grade A, B or C

### Medium-skilled: RQF Level 3-5

Medium-skilled Labour is associated with a range of skills either acquired through apprenticeships or through certificates and diploma. They develop specialised knowledge within their professional field and span the gap between GSCE/A level leavers and knowledge-based professionals.

#### RQF3:

These recognise the ability to gain and where relevant apply a range of knowledge, skills and understanding. Learning at this level involves obtaining detailed knowledge and skills. It is appropriate for people wishing to go to university, people working independently, or in some areas supervising and training others in their field of work.

- A-level
- access to higher education diploma
- advanced apprenticeship
- applied general
- AS level
- international Baccalaureate diploma
- level 3 award
- level 3 certificate
- level 3 diploma
- level 3 ESOL
- level 3 national certificate
- level 3 national diploma
- level 3 NVQ
- music grades 6, 7 and 8
- tech level

#### RQF4:

These recognise specialist learning and involve detailed analysis of a high level of information and knowledge in an area of work or study. Learning at this level is appropriate for people working in technical and professional jobs, and/or managing and developing others. Level 4 qualifications are at a level equivalent to Certificates of Higher Education.

- certificate of higher education (CertHE)
- higher apprenticeship
- higher national certificate (HNC)
- level 4 award
- level 4 certificate
- level 4 diploma
- level 4 NVQ

**RQF5:**

These recognise the ability to increase the depth of knowledge and understanding of an area of work or study to enable the formulation of solutions and responses to complex problems and situations. Learning at this level involves the demonstration of high levels of knowledge, a high level of work expertise in job roles and competence in managing and training others.

Qualifications at this level are appropriate for people working as higher-grade technicians, professionals or managers. Level 5 qualifications are at a level equivalent to intermediate higher education qualifications such as diplomas of higher education, foundation and other degrees that do not typically provide access to postgraduate programmes.

diploma of higher education (DipHE)

- foundation degree
- higher national diploma (HND)
- level 5 award
- level 5 certificate
- level 5 diploma
- level 5 NVQ

**High-skilled: RQF Level 6-8**

These workers hold 'professional' occupations and high-level positions in various fields. Occupations at this level normally require a degree or equivalent period of relevant work experience. In most instances such workers are holders of a master's or PhD diploma allowing them to analyse complex problems and deliver original responses to them.

**RQF6:**

These recognise a specialist high-level knowledge of an area of work or study to enable the use of an individual's own ideas and research in response to complex problems and situations. Learning at this level involves the achievement of a high level of professional knowledge and is appropriate for people working as knowledge-based professionals or in professional management positions. Level 6 qualifications are at a level equivalent to bachelor's degrees with honours, graduate certificates and graduate diplomas.

- degree apprenticeship
- degree with honours - for example bachelor of the arts
- (BA) honours, bachelor of science (BSc) honours
- graduate certificate
- graduate diploma
- level 6 award
- level 6 certificate
- level 6 diploma
- level 6 NVQ
- ordinary degree without honours

**RQF7:**

These recognise highly developed and complex levels of knowledge that enable the development of in-depth and original responses to complicated and unpredictable problems and situations. Learning at this level involves the demonstration of high-level specialist professional knowledge and is appropriate for senior professionals and managers. Level 7 qualifications are at a level equivalent to master's degrees, postgraduate certificates and postgraduate diplomas.

- degree apprenticeship
- degree with honours - for example bachelor of the arts
- (BA) honours, bachelor of science (BSc) honours
- graduate certificate
- graduate diploma
- level 6 award
- level 6 certificate
- level 6 diploma
- level 6 NVQ
- ordinary degree without honours

**RQF8:**

These recognise leading experts or practitioners in a particular field. Learning at this level involves the development of new and creative approaches that extend or redefine existing knowledge or professional practice.

- doctorate, for example doctor of philosophy (PhD or DPhil)
- level 8 award
- level 8 certificate
- level 8 diploma

## Appendix G – Improvements to processes and documentation in the employer sponsorship system

### Process:

- Box relating to “Does the migrant need to leave and re-enter the UK during the period of approval” is unclear for employers. It should be clear if this refers to any Tier 2 visa holder or those who continue to be based overseas and travel to the UK frequently to carry out work;
- should be able to state name on the RCoS, as trawling through the approved RCoS once all submitted RCoS have been approved is not time effective. For example, in the summer the employer may submit 20-30 RCoS per month and having to find the approved RCoS for a graduate is time consuming as the employer have to open each RCoS to cross reference this against the graduate application they are preparing. The RCoS application does not allow identification of an individual;
- payment reference number should state the name of the applicant on the payment receipt. It is then easier to reconcile with the correct candidate;
- maintenance is currently selected by a tick box and if this is left unticked, then no error message will be generated. The system presumes maintenance will not be supported by the employer which is incorrect in 90% of cases and can cause a visa refusal (if maintenance is not supported an applicant must submit bank statements however if the presumption is that maintenance will be supported, an applicant will not submit bank statements particularly as the maintenance tick box is not immediately noticeable on a CoS). The maintenance box should be a drop down “yes/no” option so that the creator of the CoS must consciously select an option.
- sponsor change of circumstances process: there should be an option to upload documents via the SMS rather than sending the originals (or only request originals if the quality of the uploaded documents are not good enough);
- linked entities: the sponsor should be able to see which entities are included on their sponsor licence for both the UK and overseas; and

### Documentation:

there should be an online document cabinet section on the SMS which contains copies of all the documents submitted in support of a sponsor licence, a copy of the sponsor licence, approvals from the Home Office, copies of submitted supporting documents for the sponsor licence, and any change of circumstances documents filed. This would save the employer and any representative (particularly where there is a change of representative and/or internal change of personnel for the sponsor) trawling through archived files to locate background information on the sponsor licence, its historical administration and any updates made.

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