

Managed Migration Pricing Research

Report of Findings

JN 150446

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1. Background and Research Objectives

1.1 Background

The Immigration and Nationality Directorate (IND) at the Home Office is reviewing the services that it and UK visas (a government agency) offer to employers and migrant workers. The system of managed migration in the UK is being re-organised to incorporate a points-based structure similar, in some ways, to systems operated by countries like Australia, where applicants can qualify for points depending upon specific criteria such as professional qualifications. The new structure would also include an employer sponsorship element where employers/educational institutions would sponsor individuals to come to the UK and be obliged to help in the management of the system by preventing abuse of the rules where they can.

As part of this review, the fees for migrating to the UK borne by the individual and employer are also being examined, with the aim of simplifying the process for all parties. The ambition is to achieve single cost transactions rather than multiple transactions with migrant applicants, which is the case under the current system. The Home Office would like to test various price/ benefit options with employers and individual customers to help them better understand customer preferences and where the potential trade offs are.

1.2 Research Objectives

- The over-arching objective is to help the Home Office determine the overall charging strategy for different customer types. Within this there are a number of specific objectives;
 - To test the perceptions that different customer types have to specific pricing thresholds and service bundles
 - To determine the overall price elasticity for each customer type
 - To understand the trade-offs which customers are willing to make in terms of prices vs. associated benefits.
 - To determine how proposed UK service prices compare with competitor countries

2. Research Methodology

2.1 Sample Structure

Research was conducted among the following customer types. The achieved sample size per customer type is shown below.

Highly Skilled Migrants	202
Student Visa	214
Visitor Visa	169
LTR – Students	208
LTR - Other	239
Nationality	231
Agents dealing with Work Permits	94
Agents dealing with Student Visas	51
Employers dealing with Work Permits	100

Sample for each customer type was sourced from the Home Office database of recent applicants in each customer type.

2.2 Data Collection

Business samples (Employers and Agents) were recruited by telephone and individual applicants through a combination of telephone and mail out invitations.

Interviews were conducted using an online self completion methodology. Following recruitment each respondent was assigned a unique password to access the online interview to ensure controlled access to the survey and to avoid respondents completing the interview more than once.

Fieldwork was conducted between 23 October 2006 and 19 January 2007.

2.3 Questionnaire Coverage

For individuals (excluding the Agent and Employer samples) the questionnaire included a conjoint exercise (Choice Based Conjoint). The conjoint exercise was used to determine the relevant worth or 'utility' of different attributes related to the application process. These attributes were tailored to the specific customer type and included speed of application, visa benefits, method of payment and the application fee. Within each attribute a number of levels were specified to reflect both the current situation and potential changes to the application process. In addition to measuring the worth of each attribute and level, the conjoint was also used to model the likely change in demand if the price of the application was changed.

Other questionnaire areas covered the motivation driving the application and perceptions of the cost and complexity of the application in comparison to other countries.

2.4 Statistical Robustness

The degree of potential variance from the results shown is dependent on the size of the stated percentages. The maximum variance (or Confidence Interval) based on a 200 sample size at 95% confidence level is +/- 7% for a percentage of 50%. This level of variance decreases to 3% for a percentage of 95% or 5%.

Based on a 100 sample size the Confidence Interval increases to +/- 4% for a stated percentage of 5%/95% and +/-9% for stated percentage of 50%.

2.5 Retrospective Evaluation

At the time of interview all respondents had been through the application process. As such, respondents were referred back to when they made their application when considering their reaction to different Visa packages in the questionnaire. This retrospective evaluation cannot be said to fully reflect the views of new applicants.

2.6 Exclusion of Unsuccessful Applicants

The sample source for this study comprised successful applicants in each customer type. As such, it is beyond the scope of this study to reflect the proportion of applicants within each customer type who are unsuccessful in their applications and the level of demand that they represent.

3. Executive Summary

An overview of the results is shown below, with specific results by customer type outlined in the following section.

- Despite being seen as relatively more expensive than similar schemes in other countries, the vast majority of those applying for the **Highly Skilled Migrant Programme** claimed that entry requirements (including cost of application) did not have a major impact on their decision to come to the UK. There appears to be some scope to increase the application fee up to £500, without significant reductions in demand
- Although more than one half of **Student Visa** applicants considered another country (including most commonly the US, Canada and Australia) the majority claimed that the entry requirements did not have a major impact on their decision to come to the UK. Whilst only a small proportion of applicants would not have applied if the application fee had been higher, any increase would need to be managed in the context of poor perceptions of value versus key competitor countries
- The majority of **Visitor Visa** applicants felt that the fee was more expensive than for other countries. Whilst there appears to be some scope for increasing the fee without a significant reduction in demand, again any proposed increases would need to take into account perceptions of the relative expense of visiting the UK versus other countries
- Demand for **Leave to Remain** applications among students show some vulnerability to decline if the application fee is increased from its current level with the decline likely to be substantial if the fee is increased beyond £500. A similar picture is observed for Leave to Remain applications among other groups
- Price sensitivity for **Nationality** applications is the lowest for any customer type, reflecting the importance and long term nature of the decision to apply for Nationality. Despite this, £500 does appear to be a potential barrier with one in twenty likely to reject the application at that price
- One in five **agents** dealing with **Work Permits** said that their fees might increase if the Work Permit fee increased. The majority of agents dealing with **Student Visa** applications said that their fees would not change or would decrease if the Student Visa application fee increased, with only one in ten saying that they would raise their fees
- One-half of **employers** claim that they would not pay more than £200 for a **Work Permit** application. A faster service and being assigned a named contact throughout the application process are likely to result in a greater tolerance of increased fees

4. Summary of Findings for Each Customer Type

4.1 Highly Skilled Migrants

The respondent sample for this customer type comprised successful applicants for the Highly Skilled Migrants Programme (HSMP). Sixty eight percent of all interviewed applicants had only considered the UK for migration, with the US, Canada, and Australia the key competitors to the UK for the remainder of applicants. Since this group is likely to be highly mobile this indicates how attractive a location the UK is for skilled migrants.

Our findings indicate that for the majority the decision to come to the UK does not depend on entry requirements with the majority of applicants (82%) claiming that entry requirements did not have a ‘major impact’ on their decision to come to the UK (see figure 1). Nevertheless, the HSMP in the UK is seen as relatively expensive compared with similar schemes in other countries (more than half saying more expensive). Perceptions of value for money appear to be less on an issue, although 29% rated the HSMP as quite or poor value for money. It should be noted that all respondents had been successful in their application, so this perception of value for money may not exist among unsuccessful applicants.

The application process, in terms of method and speed, is seen as relatively less important than other elements of the package. The automatic right to settlement, the right for dependents to accompany the applicant, and access to public services are the most important aspects of the programme.

The conjoint results indicate that increasing the £315 fee by £100 is unlikely to significantly reduce demand. However, moving the price to beyond £500 (£515) would potentially see an estimated 8% decrease in demand (see figure 2). In addition to reducing short term demand it should also be noted that increasing the price may have implications in terms of perceptions of the UK as providing value for money versus key competitors.

Figure 1

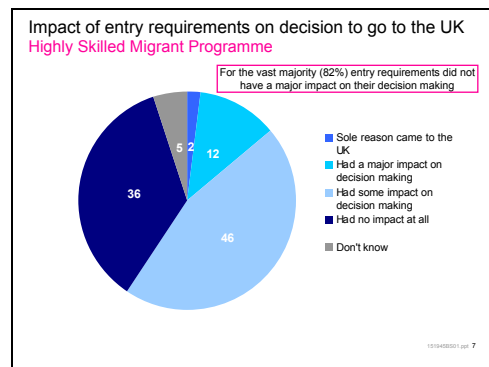
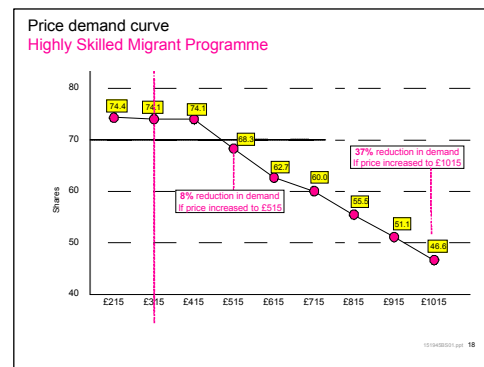


Figure 2



4.2 Student Visa

The sample for this customer type comprised those who had applied for Leave to Remain in the UK as a Student. However, they were asked questions with regards to their initial Student Visa application. Given the sample definition it should be borne in mind that this group is not fully representative of all Student Visa applications.

Over two fifths (45%) of the applicants only considered the UK for their studies, with the US, Canada and Australia the key competitors to the UK. Less than one-third actively investigated entry requirements for other countries and the majority of applicants (73%) claimed that entry requirements did not have a ‘major impact’ on their decision to come to the UK.

The Visa fee is seen as relatively expensive compared with other countries (two thirds saying more expensive). One third also criticised the value for money. Nevertheless, satisfaction with the overall application process and the speed of processing is high with around three-quarters satisfied. The application fee was seen as a very important consideration by 28%. However, tuition fees were seen as far more important – 75% saying a ‘very important consideration’ (see figure 3).

The option to apply for work without leaving the UK and the number of hours that can be worked were rated as the most important aspects of the visa package. The ability to bring dependents to the UK, the application fee, speed of application and how apply/pay was seen as relatively less important (determined through the conjoint exercise).

Based on the conjoint analysis only a small proportion of respondents would have declined to apply for the visa if the fees had been higher (negligible reduction in claimed demand up to £200). However, there seem to be apparent £100 and £200 thresholds where, when asked directly, the number of respondents who consider the fee too expensive to apply increases (20% at £100 and 42% at £200 saying ‘too expensive to consider applying’ – see figure 4). Coupled with relatively poor perceptions of value for money this suggests that increases to the fee may have a further negative impact on perceptions of value for money and competitiveness versus other countries. It should also be noted that all respondents had paid the £250 LTR fee and as a result may be less price sensitive to the initial Student Visa fee.

Figure 3

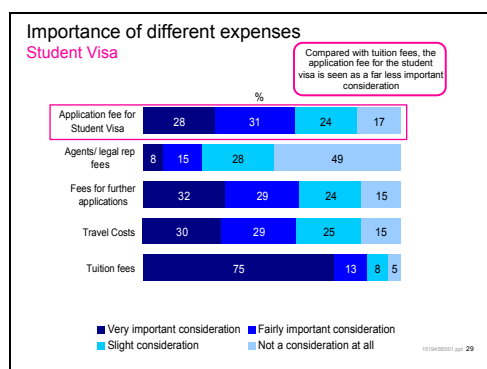
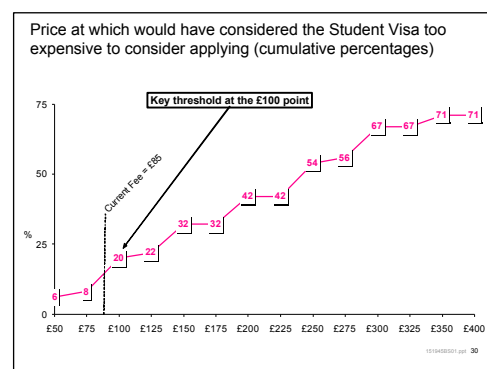


Figure 4



4.3 Visitor Visa

The Visitor Visa sample included respondents who, after having been to the UK on a Visitor Visa, had also applied for Leave to Remain in the UK. Questions were only asked regarding their initial Visitor Visa application.

The Visa fee is seen as relatively expensive compared with other countries (70% saying more expensive – see figure 5). The perception of value for money was relatively high, however, with 41% considering the Visitor Visa as very or quite good value for money. Satisfaction with the overall application process and the speed of processing is high with around three-quarters satisfied (79% satisfied overall). The application fee was seen as an important consideration - as important as travel costs (both mentioned as being ‘a very important consideration’ by 41%).

The conjoint analysis suggests that the ability to apply for work without leaving the UK, the application fee, multiple entry and the length of time the visa is valid for were the most important aspects of the visa package. The speed of application only appears to become an issue when it is in excess of more than one week. Online applications were not preferred over postal, although both were preferred applications made in person.

The price demand curve simulated from the conjoint analysis indicates that only a relatively small proportion would have declined to apply for the visa if fees had been increased. When asked directly, however, a fifth (21%) of the respondents consider £100 to be too expensive and a further fifth (42% in total) consider £200 to be too expensive (see figure 6). These apparent thresholds and perceptions of being more expensive than other countries do suggest that moving the price beyond £100 may have a negative impact on value for money perceptions and competitiveness versus other countries. It should be borne in mind that all had subsequently applied for LTR and thus may be less price sensitive as a result (as opposed to holiday makers, business travellers etc.).

Figure 5

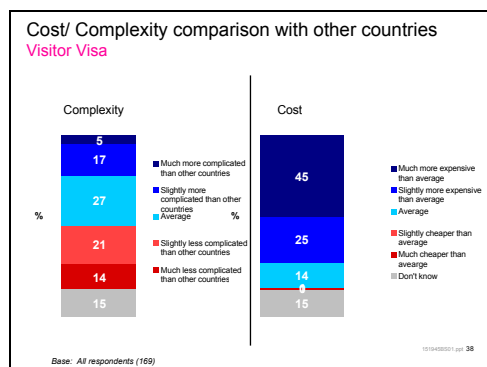
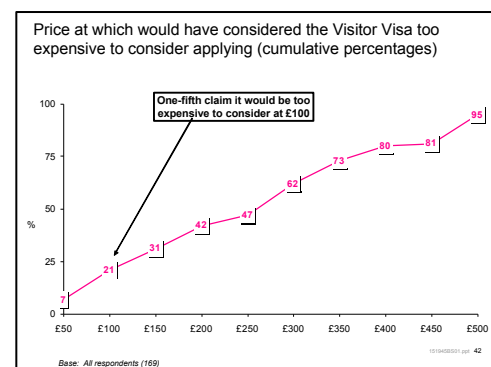


Figure 6



4.4 Leave To Remain – Students

The majority of applicants (75%) claimed that LTR requirements did not have a major impact on their decision on whether to apply. However, the application fee is seen as relatively expensive compared with other countries (75% saying more expensive) and only a third believed it represented good value for money (see figure 7). Nevertheless, satisfaction with the overall application process and the speed of processing is high with around three-quarters satisfied.

The conjoint analysis indicates that working hours and the ability to apply for work in the UK following the respondents' studies were the most important aspects of the LTR package, in addition to the application fee. Method of and speed of application (within 12 weeks) were relatively less important. When asked directly, the application fee was seen as a very important consideration by two fifths (42%), with tuition fees seen as very important by more than a half of all respondents (57%).

Simulating price increases using the conjoint analysis shows demand dropping when the price is moved beyond £250 (16% decrease at £500 – see figure 8). The relatively poor perceptions of value for money also need to be considered when considering higher prices.

Figure 7

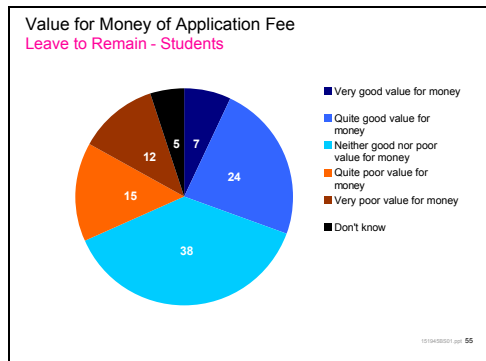
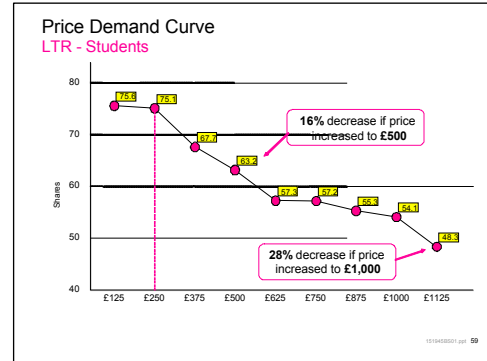


Figure 8



4.5 Leave to Remain – Other

The majority of respondents in our sample (72%) had applied for Leave to Remain on the basis of being a spouse, civil partner or an unmarried or same sex partner of a person present and settled in the UK.

The large majority of applicants (87%) said that LTR requirements did not have a ‘major impact’ on their decision on whether to apply for LTR and more than half (53%) claimed it had no impact at all. The application fee is seen as relatively expensive compared with other countries (57% saying more expensive). However, perceptions of value for money are divided with a third (35%) feeling that it represents good value for money and 27% saying quite or very poor value for money (see figure 9). Nevertheless, satisfaction with the overall application process and the speed of processing is very high with around three-quarters satisfied (71% satisfied overall, 75% satisfied with the speed of processing).

From the conjoint analysis, the opportunity to apply for Indefinite Leave to Remain and access to the UK labour market were the key benefits afforded by LTR for applicants. There is an indication that increasing the application fee to £500 (which appears to be a psychological barrier) would result in a decrease in demand of approximately 10% (see figure 10). Moving the fee beyond £700 is likely to decrease demand by more than one quarter (27%).

Figure 9

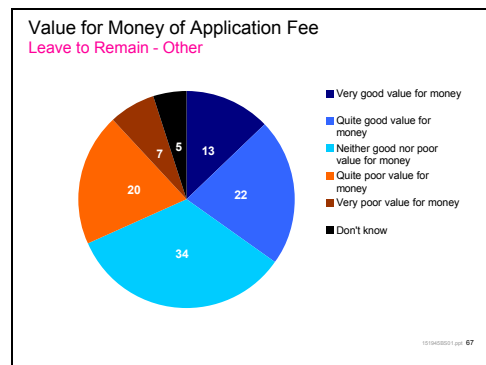
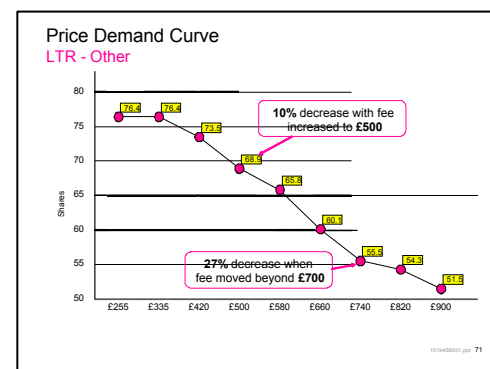


Figure 10



4.6 Nationality

Only 14% of people who applied for British Citizenship claimed that the costs and requirements associated with the application had had a ‘major impact’ on their decision to apply and for 61% it had had no impact at all (see figure 11). This is in line with the fact that the vast majority were only considering making a Nationality application in the UK (94%). There was very low awareness regarding the relative price of nationality applications in the UK versus other countries, with only 54% being able to provide an opinion. The majority of those who gave an opinion believed that Nationality applications in other countries would be less expensive than in the UK.

Satisfaction with the overall application process and the speed of processing is very high with around three-quarters satisfied (82% were satisfied overall, with slightly fewer satisfied with the speed of processing (69%). Half felt the application fee represented good value for money, with only 16% criticising the value for money.

Looking at the conjoint results, access to public services had the most value of any of the benefits, with travel within the European Union and voting rights also having a high ‘value’ attached to them. Speed of application was only seen as a real issue if the process took longer than 6 months, probably reflecting current expectations. Price sensitivity is the lowest for any of the customer types. However, £500 appears to be a barrier for some, with an estimated 4% who would reject the application at this price. Increasing the fee to £1,000 would see an estimated 12% decrease in demand (see figure 12).

Figure 11

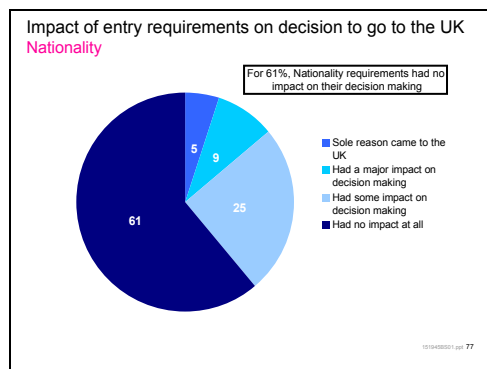
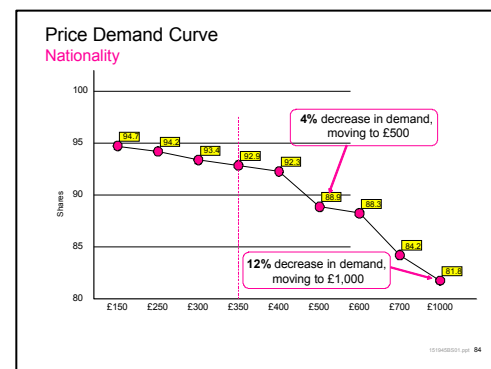


Figure 12



4.7 Agents Dealing with Work Permits

The company/organisation profile for this customer type comprised solicitors/legal representatives and visa/immigration agencies.

Overall satisfaction with the Work Permit application process was high (90%) and the majority of agents felt that it is easy to track applications. Where agents were not satisfied with the application process this usually related to ‘inconsistency of response’ or the reasons for refusal being unclear. Where agents found it difficult to track applications this was driven by it taking a long time to get through by phone or that it was hard to find the relevant person to contact. Correspondingly, the key areas of improvements requested included greater consistency, the ability to track applications online and easier access to help and guidance (see figure 13)

The average fee charged by agents was £621, resulting in a total average expense per application of £746 (including the £125 fee payable to UK Work Permits). Almost three-quarters present their fees separately to the fees payable to UK Work Permits. When asked to evaluate the relative importance of different aspects of the application, speed of service was seen as the most important aspect, followed by Work Permit restrictions and fees. In the event of Work Permit fees (payable to UK Work Permits) increasing, the majority of agents claimed their fees would remain the same, although one in five (19%) said they would be increased (see figure 14).

Almost nine in ten agents claimed that they would attend a training course to learn more about the application process if it was offered.

Figure 13

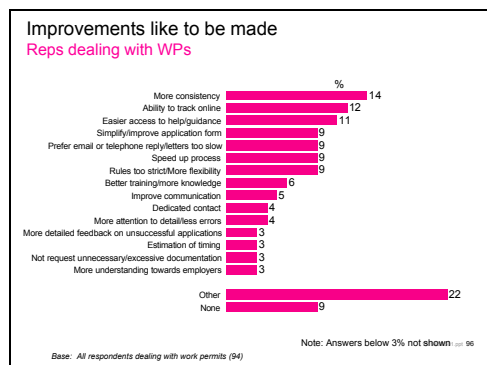
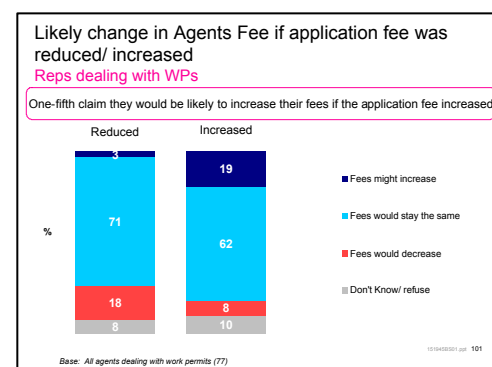


Figure 14



4.8 Agents Dealing with Student Visas

The respondents that were interviewed were drawn from the same source as the Agents dealing with Work Permits and all agents dealing with Student Visas in this sample were also dealing with Work Permits at the time of interview.

Around one-fifth (22%) said that they were not satisfied with the Student Visa application process, with this rising to 28% when related to the speed of service (see figure 15). Reasons for dissatisfaction related mainly to difficulty in contacting caseworkers. The key improvements that representatives would like to see were faster turnaround times and a better communication method. Related to this, speed of service was seen as the most important aspect of the application process (outweighing application fees). Two-fifths (40%) of agents felt that it was 'quite' or 'very' difficult to track applications. Key reasons given were that it was hard to get through (by phone) or that there was insufficient information available.

The average fee charged by agents was £366, resulting in a total average expense of £451 per application for applicants who use agents (including the £85 fee). Over three-quarters presented their fees separately. In the event of Student Visa fees (payable to UK Visas) increasing, the majority of agents claimed their fees would remain the same, although one in ten said they would be increased (see figure 16).

More than eight in ten agents would attend a training course to learn more about the application process if it was offered (84%).

Figure 15

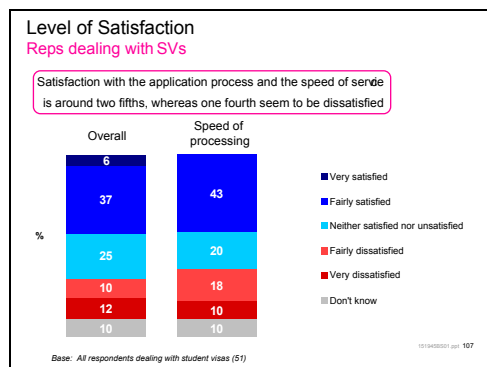
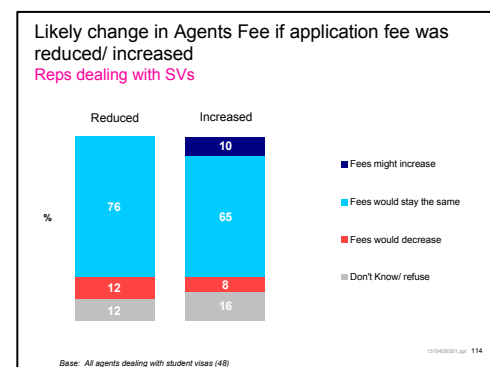


Figure 16



4.9 Employers Dealing with Work Permits

The respondent sample for this element was made up of small (up to 49 employees), medium (50-249 employees) and large (over 250 employees) companies that had previously applied for Work Permits for their employees. Overall satisfaction with the Work Permit application process is very high (90%) with reasonably strong perceptions of value for money (more than half saying ‘very good’ or ‘quite good’ – 55%).

Nearly half (47%) of applicants claim that they would be prepared to pay more for a faster service if the decision making took one or two days, with this stronger among large companies who both expect more, and place greater value on, faster service (68%). Over three-fifths (61%) would be prepared to pay more if they had a named contact throughout the application process, with larger companies again placing greater value on this potential service change (70%).

£200 appears to be a key threshold for applicants in terms of application fee for the current level of service (half claim they would not pay over £200 – see figure 17). With new service levels the threshold is nearer £300 for a similar level of rejection although over half would not expect to pay over £200. Even with new service levels £500 appears to be another threshold – 77% rejecting at this price (see figure 18).

Figure 17

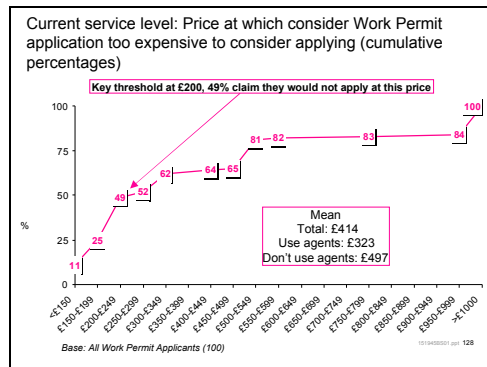


Figure 18

