

Summary: Intervention & Options

Department /Agency: UK Border Agency	Title: Impact Assessment of Tier 2 of the Points Based System for Immigration	
Stage: Final	Version: 1.10	Date: 29 April 2008
Related Publications:		

Available to view or download at:

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs/>

Contact for enquiries:

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What is the problem under consideration? Why is government intervention necessary?

To control migration so as to profit the UK. Migration brings significant benefits to the UK; in 2006 migrants contributed around £6 billion to output growth¹ with international students contributing a further £8.5 billion². The PBS will ensure that we only attract those that we need.

What are the policy objectives and the intended effects?

The implementation of Tier 2 will ensure that we maximise the economic benefit of migration to the UK by continuing to allow skilled migrant workers to fill skills gaps in the UK economy while protecting the UK labour market, particularly the lowest paid, from any possible adverse consequences.

What policy options have been considered? Please justify any preferred option.

2 options are considered:

Option 1: Do nothing - continue to accommodate skilled migrants through the existing work permit system

Option 2: Implement Tier 2

Option 2 is preferred as it generates the higher NPV, fully addresses the policy objectives and maximises the economic benefit of migration to the UK

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? The policy is to be continuously monitored as part of review of progress towards meeting PSA 3: "to ensure controlled, fair migration that protects the public and contributes to economic growth.

¹ The Economic and Fiscal Impact of Immigration, A Cross-Departmental Submission to the House of Lords Select Committee on Economic Affairs, October 2007.

² Global Value: The value of UK education and training exports to the UK economy: an update: Pamela Lenton, Dr of Economics, University of Sheffield, August 2007, commissioned by the British Council. This figure comprises HE tuition, HE other spending, Trans-national HE, Other HE, FE tuition, FE other spending, Other FE, ELT tuition and other, Independent primary and secondary

Ministerial Sign-off For SELECT STAGE Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

.....Date:

Summary: Analysis & Evidence

Policy Option: 2

Description: Implement Tier 2 of the Points Based System

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' Costs to government of implementation over that of the previous system. These include extra training costs, IT and accommodation. Loss to UK output from reduced flow of migrants resulting from shortened initial leave entitlement.
	One-off (Transition)	Yrs	
	£ 9.5 million		
	Average Annual Cost (excluding one-off)		
	£ 2.7 million		Total Cost (PV) £ 32 million
Other key non-monetised costs by 'main affected groups'			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Increased output from more productive mix of Tier 2 migrants.
	One-off	Yrs	
	£ 0		
	Average Annual Benefit (excluding one-off)		
	£ 31 million		Total Benefit (PV) £ 269 million
Other key non-monetised benefits by 'main affected groups' Improved protection for those UK workers at the lower end of the earnings spectrum. Improved public confidence in system with more transparent and effective criteria. Improved identification of shortages in skilled occupations ensuring the right workers are given leave to enter the UK and benefit the economy.			

Key Assumptions/Sensitivities/Risks NPV calculations are based on historical data which do not necessarily reflect future flows. A +/- 10% range on volumes is used to account for this uncertainty.

Price Base Year 2008	Time Period Years 10	Net Benefit Range (NPV) £ 208m to 266m	NET BENEFIT (NPV Best estimate) £ 237 million
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What is the geographic coverage of the policy/option?	WorldWide			
On what date will the policy be implemented?	To be announced			
Which organisation(s) will enforce the policy?	UK Border Agency			
What is the total annual cost of enforcement for these organisations?	£ 0			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	N/A			
What is the value of the proposed offsetting measure per year?	£ 0			
What is the value of changes in greenhouse gas emissions?	£ 0			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro 0	Small 0	Medium 0	Large 0
Are any of these organisations exempt?	No	No	No	No

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of	£ 0	Decrease of	£ 0
		Net Impact	£ 0

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

Background and Methodology

This assessment addresses the implementation of Tier 2 of the Points Based System which caters for skilled migrants with a job offer intending to work in the UK. This route will replace existing arrangements covered by the work permits scheme.

A full description of the Tier 2 framework can be found in the Tier 2 Statement of Intent which can be found at:

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs/>

Please note that this Impact Assessment does not cover the impact of charging for Tier 2 migrants. It also does not account for charges faced by employers. The impact of charging policy for Tier 2 and sponsorship (which covers charges faced by employers for all Tiers of the PBS) is discussed in separate Impact Assessments that can be found at:

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs/>

For this assessment, we examine 2 options:

- Option 1: Continue to accommodate skilled migrants within existing work permit arrangements
- Option 2: Implement Tier 2

We have assessed these options against:

- Monetised;
- Non-monetised Impacts; and
- Equality Impacts.

Rationale

The introduction of Tier 2 of the Points Based System is intended to clarify the rules governing the employment of non-EU migrants by sponsors while applying restrictions governing salaries, qualifications and English language proficiency which ensure that employers are encouraged to search for the best qualified and most productive migrants to fill skilled vacancies within the UK.

We expect this to improve the productivity of migrants selected through this route and so further contribute to UK output.

Options

Option 1: Retain current work permit arrangements

Description:

Continue to cater for skilled migrants using current staffing levels, processes and technology

Option 2: Implement Tier 2 of the PBS

Description:

- Implement Tier 2 incorporating the sub categories Tier 2 general, ICTs, ministers of religion and sports people.
- Implement new IT system

Key Benefits

- Increased output resulting from a framework which encourages employers to search for the most productive migrant workers
- Better protection for resident labour at lower end of the earnings spectrum
- More efficient process due to clarified, objective points criteria
- More accurate identification of shortages in skilled occupations ensuring the right people who bring the skills the economy needs are able to contribute
- Improved public confidence in a system that has clearer aims and objectives
- Creation of much richer data source to aid future analysis of impacts and fine tuning of selection criteria

Key Costs

- Set-up costs e.g. new IT and additional training
- Loss of output from reduced flow of skilled workers resulting from shortened initial length of leave entitlement

Monetised Impacts of Option 2

To evaluate the monetised benefit of Tier 2, we focus mainly on the effect on UK output as a result of the different mix of migrants resulting from the new process. The changes most likely to impact on UK output are given under the headings below:

- English Language Requirement

We do not expect the requirement for Tier 2 migrants to provide evidence of English language proficiency to have a negative impact on volumes as in the short-term, there will be a large enough pool of English speaking migrants for employers to choose from if prevented from employing a migrant without English language proficiency. In the long-term, we expect the requirement would encourage prospective migrants to invest further in learning English in advance of applying to come to the UK. This change is likely to improve both the productivity and output of migrants under Tier 2. Previous research has indicated that command over the English Language might result in a 20% increase in productivity. We assume that 5% of Tier 2 general in flow is impacted by this.

- Requirement to advertise job for 2 weeks or 1 week if prospective salary offered is over £40,000

Previously the resident labour market test did not stipulate the period the job had to be advertised. Four weeks was stipulated for the length of the entire recruitment process but we did not stipulate a minimum advertising period. In order to properly test the labour market, we propose to tighten this process and specify 2 weeks advertisement. We do not need therefore to specify a minimum length of time for the recruitment process. There will also be clearer guidance on where jobs should be advertised (either in Job Centre plus or as agreed in a sector specific Code of Practice). This will result in significant increase in output as, if there are no suitable applications from the resident labour market, employers will be able to issue certificates

of sponsorship more quickly than they are currently able to apply for work permits. The clearer guidance on the advertising medium will mean we can have greater confidence that a genuine attempt has been made to employ a worker within the EU.

If the prospective earnings for the job are over £40,000 then there is less likelihood of undercutting the resident labour market. Nevertheless, as it is still important that resident workers have an opportunity to apply first, even these jobs will have to be advertised (in JobCentre Plus or as agreed in the Code of Practice) for a minimum period of one week. While ensuring a proper resident labour market test, this is still a significant reduction in the current requirement of 4 weeks for the entire process.

Because the overall length of the recruitment process may in fact exceed the new minimum required length for advertising, we cannot assume that all employers will bring in migrants 2 or 3 weeks quicker. For this reason we assume just half of employers are able to reduce their recruitment timeframes.

- Requirement for applicants under Intra Company Transfers (ICT) to pass points test

Applicants under ICTs will also need to satisfy the salary and qualifications points criteria under Tier 2. This will result in a modest fall in ICT volumes. We assume that half of employers who currently recruit through this route but fail to meet the Tier 2 salary points thresholds respond by increasing the salary offered to comply and so reducing the impact on historical volumes. However, combined with this we assume employers will be able to use EEA labour to fill remaining gaps thereby countering any loss to UK output.

- Changes to leave to remain entitlement

Changes to the length of initial maximum leave in the UK are estimated to have a small negative impact on output from Tier 2 migrants by effectively increasing the price of a work permit for migrants and their employers.

We estimate the combined affect of the factors above to produce a total NPV of £237 million over 10 years. This is our estimated total monetised benefit. The costs also include additional costs of implementing Tier 2 including additional training and IT implementation. A fuller explanation of the estimates is contained in Annex A.

Non-monetised Impacts of option 2

In general, we expect the Tier 2 system to be much clearer and more transparent benefiting all users of the system. We believe this will strengthen public confidence in migration as the aims and objectives of this part of the UK migration system are made clearer and the system delivers those migrants that the UK economy most needs.

The establishment of the MAC will mean that occupations placed on the shortage list are independently and more accurately identified. The shortage occupation list will ensure that those industries under the greatest pressure from shortages in skilled occupations are able to bring the workers they need to the UK with the minimum bureaucracy.

The establishment of a points test and continuation of the resident labour market test ensures that UK workers, particularly at the lower end of earnings spectrum, will not suffer from any possible adverse impacts.

Impact of loss of lowest paid work permit jobs

There are a number of lower paid vacancies currently catered for by the work permit system which will no longer qualify for Tier 2 general (including ICTs). This could potentially have a

large negative impact on total UK output. However we believe that this impact will be far more limited for the following reasons:

- After considering advice from the MAC, the government may decide that some of the occupations currently not qualifying under Tier 2 may be placed on the shortage occupation list i.e. some of these occupations may be considered to be skilled shortage occupations that can be sensibly filled by migration. In this circumstance, migrants wishing to work in those specific occupations will not be required to earn points under the prospective earnings and qualifications criteria.
- Many employers who currently use the work permit system but would fail to meet the salary threshold for Tier 2 may choose to increase the wage of the jobs offered in order to comply with the new points criteria. Based on price elasticity estimates and consultation we might expect up to half of employers to do so³.
- Those employers who are now unable to fill their vacancies by issuing Tier 2 certificates may now offer the vacancy to migrants from the EU including the accession countries

There may also be an output loss from the abolition of the Training and Work Experience Scheme and the provisions for researchers. These 2 routes will no longer have specific provisions in any of the Tiers of the Points Based System. Provision for migrants through these routes could be made if an exchange scheme was created under Tier 5 of the PBS or if they were able to satisfy the Tier 2 points criteria. Given that the potential provision for these schemes is spread across different Tiers of the PBS, we cannot attribute the possible output loss solely to the implementation of any individual tier. For this reason the loss is not included in the Tier 2 NPV calculation. We estimate that around 4,500 work permits are issued to migrants on Training and Work Experience Schemes (TWES) each year. As these migrants are either in training or on work experience, we expect their productivity to be small (in some cases possibly even negative). We therefore expect their initial contribution to UK output to be limited. Future output loss could occur if as a result of abolishing this scheme, younger migrants in training who would in time become highly productive were discouraged from settling in the UK. There are also around 2,800 researchers, many of whom may well pass the Tier 2 criteria. However, loss of this route could have cultural as well as purely economic costs.

These potential losses in output are not considered as part of the Tier 2 NPV as these jobs may be covered elsewhere in the PBS or under certain circumstances under Tier 2. It is therefore not possible to estimate any loss in output in advance of the publication of the shortage occupation list or to attribute it to the implementation of Tier 2, Tier 5 or rather the decision not to implement Tier 3 in the near future.

Impact on Business

Many of the benefits to migration accrue disproportionately to the migrant worker and the business that employs them and so the increases in output estimated in this assessment will disproportionately benefit them. The general population will also benefit as the Tier 2 system is skewed to support skill shortage occupations that are likely to be complementary to UK employees.

Some businesses will be affected negatively by the requirement for applicants through ICTs to pass the Tier 2 general points test. From historical data we find that approximately 5% of applicants through ICTs may have difficulty in passing the new points test. We assume that in half of these cases, employers choose to increase their salary levels in order to satisfy the criteria. Other businesses will decide simply not to employ the worker in the UK which may

³ Note that although we make this assumption for ICTs who we expect more likely to uplift salaries, we cautiously assume no employers uplift salaries for Tier 2 general to comply with points criteria

cause inconvenience to the employer and ultimately affect their productivity. Given the small number of cases affected by this however, we expect this impact to be minimal.

We expect there to be little change to the administration burden for business as a result of the implementation of Tier 2. Most of the changes to administration burden within the Points Based System are the result of sponsorship policy which is covered in a separate Impact assessment which can be found at:

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs/>

Competition Assessment

The proposals for Tier 2 could have an effect on any company that is employing (or will employ) non-EU workers.

The key industries currently using the work permits system cover both the private and public sector. Potentially affected sectors are Health, Computer Services, Hospitality and Admin and Business Services.

In the sectors employing migrants through the current work permit system we do not identify any significant market share issues, when this is examined with reference to the 'competition filter' framework set out by the Office of Fair Trading. Our assessment is outlined in the paragraphs below.

In the health sector the vast majority of migrants are employed by the NHS and will not be considered for purposes of a competition assessment. The other main sectors are Computer Services; Financial Services; Education; Administration, Business and Management. The latter is a catch all category that comprises of firms in a wide range of sectors (the largest in terms of migrant employment being the management consulting sector).

In none of these sectors do we estimate that any one firm has more than 10% of market share.

The use of migrant workers by employers is the result of shortages of particular types of labour. Migrant workers tend to be concentrated in sectors rather than specific firms within sectors. As such, we believe that our proposals to implement Tier 2 should not create any competition issues as the proposals apply equally to all firms in a particular sector.

Small Firms Assessment

Tier 2 proposals will be applied to small businesses in the same ways as other businesses. It is possible that some small businesses find it more difficult than other businesses to increase salaries of prospective migrants and ensure compliance with the Tier 2 regulations but overall, the impacts of these proposals on small businesses should not be any greater than the normal adverse impacts they would encounter from the implementation of regulations.

Impact on Historical Volumes (new comers only)

Tier 2 Category	Total Volume Tier 2 equivalent	Volume with salary >£20,000, Baseline for Tier 2 Assessment (+/- 10% range)
Tier 2 general (not ICT)	23,800	16,900 (15,200 to 18,600)
Tier 2 ICT	38,100	37,200 (33,500 to 40,900)
Sports People	500	500 (450 to 550)
Ministers of Religion	400	400 (360 to 440)

The figures above refer only to those migrants we have assumed are additional i.e. out of country initial applications and are based on provisional internal management information which is subject to change and so should only be regarded as indicative.

To calculate the NPV range we assume volumes of 10% either side of the central estimate of historical volumes.

There are further key assumptions underlying these figures:

- Impact of salary ranges:** Of historical figures at least 10% of migrants would not qualify under the Tier 2 criteria. This is the proportion of migrants in jobs below the £17,000 threshold. For the IA, we assume that only those with salaries above £20,000 would qualify under the criteria. Those earning between £17,000 and £20,000 could only gain enough points if they also held a PhD and, in the absence of qualification information, we assume the vast majority will not. We have also assumed that for half of the ICT migrants, employers uplift their salary to meet the Tier 2 salary criteria. Those who are assumed not to satisfy the points criteria would therefore include around 2.5% of ICT migrants and 29% of Tier 2 general. We also assume the remainder would be able to fill vacancies through the resident and wider EEA labour market.
- TWES and Researchers:** In addition, there were around 4,500 migrants on TWES schemes and 2,800 researchers. The TWES and researchers schemes will no longer exist and will make up part of the output loss discussed in the body of this assessment.
- Sports People and Ministers of Religion:** We assume that the new Tier 2 criteria would not have affected Sports People and ministers of religion. Sports people will have the choice between coming to the UK under Tier 2 or Tier 5.
- Dependants:** We estimate the number of dependants to be roughly half that of the number of principal applicants and half of those are under the age of 18. Initial analysis has indicated that dependants of migrants who work tend to work in similar occupations to their spouses. For this reason, we could arguably increase the output benefits outlined in this assessment by around 25%. However, due to the unreliability of the data on the economic activity of dependants of Tier 2 migrants and the fact that the policy changes do not directly affect dependants, no attempt has been made to quantify their impact.

EQUALITY IMPACT ASSESSMENT

Summary

The UK immigration system has a very wide pool of potential users who can come from anywhere in the world. The criteria for entry and leave to remain are designed to maximise the economic benefits of migration and are the same for all potential migrants from outside the EEA.

This equality impact assessment finds that the potential impact on all seven equality target areas⁴ is minimal. But where such effects remain, there are strong policy reasons for them, namely to ensure that the immigration category fulfils its aim of selecting the people who will succeed as skilled migrants and be contributing to the growth and productivity of the UK without displacing British workers. This impact assessment describes what we will be doing in the future to monitor the impact of the policy, and the consultation process we have undertaken.

There is a risk that disproportionate impacts are occurring unnoticed in the areas of: disability; gender identity; and sexual orientation because quantitative data for such users of the immigration system is not currently collected. For this EIA, where possible, we have relied on qualitative data provided by stakeholders from those areas.

This equality impact assessment is focussed solely on the impacts of the policy to introduce the skilled migrant tier (Tier 2) of the points system. It does not address the difficulties some groups may have in accessing this tier, due to a wide range of social, educational and economic inequalities in different societies around the world. The UK immigration system cannot be used to mitigate much wider-ranging barriers and inequalities in the home countries of those who may wish to use it. This EIA, whilst noting stakeholder concerns, considers such inequalities outside its scope.

We also consider outside the scope of this EIA, discrimination that may be faced in the UK workplace.

Stakeholders have suggested that labour market discrimination in the UK against ethnic minorities, people with disabilities, women, trans-gendered people, and gay and bisexual people makes it harder for applicants from these groups to achieve the points criteria required under PBS.

The immigration system is not, however, an appropriate or adequate tool to mitigate this. The Government considers filling gaps in the UK labour market, as reflected in prospective earnings and qualifications, an essential pre-requisite for granting and extending leave under Tier 2 (General⁵). This is because the category's purpose is aimed at attracting individuals to the UK to fill a particular job that cannot be filled from the UK or the European Economic Area (EEA). By filling a job the migrant will contribute to the growth and productivity of the UK without displacing British workers. The requirements for both entry to and staying on in the UK will be set at levels commensurate with those objectives. If Tier 2 (General) migrants are unable, for whatever reason, to make the required points criteria in terms of minimum salary requirement and qualification then they have not met the objective of the category.

Migrants who cannot meet the requirements for Tier 2 may still be able to gain leave in the UK if their job is on a shortage occupation list identified by the Migration Advisory Committee (MAC).

This equality impact assessment draws on our monitoring of work permits which were approved and successful on review for the period January 2006 to December 2007.

RACE AND BELIEF EQUALITY IMPACT ASSESSMENT

Introduction

The general duty in section 71 of the Race Relations Act 1976 to promote equality of opportunity between persons of different racial groups does not apply to carrying out immigration and nationality functions. This is because the operation of immigration control requires decisions to be made which will in many cases adversely affect the opportunities open

⁴ Race; religion, belief and non-belief; disability; gender; gender identity; sexual orientation; age

⁵ Tier 2 (general) includes the Shortage Occupation list, jobs meeting the Resident Labour Market Test and Intra Company Transfers.

to people who are subject to it. Those exercising such functions are, however, required to promote good relations between persons of different racial groups. We consider that the introduction of Tier 2 (General) will not make it harder for non EEA nationals of certain countries than for those of others to apply and be successful.

Our monitoring of work permits since January 2006 to December 2007 has shown there has been little change in the pattern of initial applications although total applications approved were slightly down in 2007 from 144,970 in 2006 to 131,072 in 2007. The top ten nationalities for work permit applications remained the same in 2006 and 2007⁶.

Tier 2 (General): Prospective Earnings

In order to qualify under Tier 2, all migrants wishing to fill jobs which are not on the shortage occupation list, must, due to the points weighting, be earning at least £17,000. Some nationalities have a greater than average proportion of migrants coming to the UK under the work permit route who are earning less than £17,000. However, this is objective criteria in line with the overall objectives of Tier 2 and for any migrants applying to fill jobs on the shortage occupation list there is no need to meet this salary threshold.

Tier 2 (General): Qualifications

The importance of qualifications in the points structure for Tier 2 (General) creates the potential for disadvantaging some applicants due to the difficulty of recognising overseas qualifications. However, we will recognise overseas qualifications that are equivalent to a NVQ 3 or above, UK bachelors, masters or PhD, assessed against National Academic Recognition Information Centre⁷ data. This will ensure that points for qualifications are applied consistently, transparently, and fairly.

Tier 2 (General, and Sports people): English

Requiring migrants to speak English is a key part of the Government's immigration policy as it improves migrants' integration in and social cohesion; as a result we think it is right that all skilled migrants coming to the UK should meet specific language requirements.

Migrants entering Tier 2 in a shortage occupations or to fill a job that has met the resident labour market test will be requested to speak English to a basic user standard. This will include an ability to understand and use familiar everyday expressions and very basic phrases, to introduce themselves and others and ask and answer questions about basic personal details. This is closest to A1 of the Council of Europe scale although we will provide guidance on what other language tests will be accepted as evidence of a sufficiently high level of ability.

ICT migrants will only be required to demonstrate their English language ability if they wish to stay after their initial grant of leave expires.

Tier 2 (Ministers of Religion)

The policy does not distinguish between faiths, but does accept that religious workers are not necessarily the same as other workers in Tier 2 and so we are catering for their specific requirements of these skilled migrants, by creating a sub-category, under Tier 2.

We have engaged with stakeholders from different religions and they have not raised any concerns with our proposals for religious workers under Tier 2 from an equality perspective.

There may be some perceived discrimination as some faiths may only recruit people of a particular gender, age or background, for example, however this is beyond the scope of the UK immigration system and therefore this Equality Impact Assessment.

⁶ Australia, Canada, China, India, Japan, Malaysia, Pakistan, Philippines, South Africa, and the United States

⁷ NARIC is the UK's official source of accurate research and intelligence on foreign academic/vocational qualifications. Their primary service is providing equivalency statements for qualifications from overseas.

In light of the importance of English for the specific work they are coming to the UK to do, Ministers of Religion will be required to show a higher level of English language ability.

Tier 2 (General): Maintenance

Stakeholders identified adverse impacts caused by the maintenance requirement which discriminates those from developing world countries. However, it is important that migrants are able to support themselves and their dependants as they do not have access to state benefits. We want to guarantee that migrants have sufficient funds to support themselves and any dependants from the point at which they enter the UK until they begin earning or receiving an income; as a result we think it is right to require a maintenance requirement for Tier 2 (General) in particular. The maintenance requirement for Tier 2 (General) is currently set out £800 (one week's living expenses) which is a far lower test than the requirement for Tier 1 of £2800.

Tier 2 (General): Dependants

Successful applicants will be able to bring dependants (children, spouses, civil partners, same sex partners and unmarried partners) into the UK if they can prove that they can maintain them. Dependants of migrants in the skilled worker tier will be able to seek employment but they will not be able to switch into any points tier. If dependants subsequently wish to apply to be in the UK in their own right, they will need to leave the UK in order to apply. This is in line with our policy to export our border control.

DISABILITY EQUALITY IMPACT ASSESSMENT

On-line application system

We will mitigate any accessibility concerns in relation to the on-line application system by building the new IT system to comply with the industry standard W3C "Web Content Accessibility Guidelines 2.0" (<http://www.w3.org/TR/WCAG20/>). Following these guidelines will make content accessible to a wide range of people with disabilities, including blindness and low vision, deafness and hearing loss, learning disabilities, cognitive limitations, limited movement, speech difficulties, photosensitivity and combinations of these.

Tier 2 (General): English

Stakeholders raised general concerns that the English requirements did not take into account applicants who might have learning difficulties. However our criteria have to be transparent and applicable to all applicants: there is no intrinsic reason why someone with learning difficulties could not demonstrate they have a sufficient command of the English language.

GENDER EQUALITY IMPACT ASSESSMENT

In 2006, males made up 64% of total work permit approvals compared with 68% in 2007.

Tier 2 (General): Prospective Earnings

In 2005, average hourly earnings for women working full-time were £11.67, and for men were £14.08. This gave a full-time gender pay gap of 17.1%⁸. Stakeholders have stated that women are therefore indirectly discriminated against by criteria which awards more points for higher prospective earnings.

Women are also more likely to work part-time than men; in 2005 42% of women employees worked part time compared to only 9% of men⁹. Stakeholders have suggested that traditionally women were more likely to have responsibilities such as looking after children than men. This could indirectly impact disproportionately on women as they will find it more difficult to achieve the necessary prospective earnings.

⁸ Sources: ONS (2005) Annual Survey of Hours and Earnings 2005, revised December 2005.

⁹ Source: ONS (2005) Labour Force Survey Spring 2005 dataset.

Furthermore, women who take time out of the labour market to have children will not be able to achieve their prospective earnings in the same way a comparator male who has not had children would have done.

Tier 2 (General): Qualifications and Earnings

Tier 2: (General) recognises and rewards work and skills traditionally held by women, particularly in the developing world, such as personal and social care skills, that are not recognised in the highly skilled tier. As such, stakeholders have not identified any disproportionate impacts. The Joint Council for the Welfare of Immigrants has suggested that points should be awarded for 'essential skills' rather than by placing greater value on certain skills or sectors of work that are highly valued by society¹⁰.

GENDER IDENTITY EQUALITY IMPACT ASSESSMENT

Stakeholders have expressed serious concerns over data collection in this area¹¹. But it may be inappropriate to collect quantitative data in this area, due to sensitivities about this issue in a potential migrant's country of origin.

Tier 2 (Sports)

Stakeholders identified that not all sports governing bodies have policies which comply with the Sex Discrimination (Gender Reassignment) Regulations 1999.

SEXUAL ORIENTATION EQUALITY IMPACT ASSESSMENT

Stakeholders did not identify any adverse or disproportionate impacts beyond those mentioned in the summary above.

AGE EQUALITY IMPACT ASSESSMENT

Stakeholders did not identify any adverse or disproportionate impacts. Tier 2 (General) does not use age as a points scoring attribute. We will removing the requirement that the migrant needs three years experience in the job at skill level NVQ 3 or above.

Action Plan

This impact assessment has identified a number of areas of perceived disproportionate impact. Where appropriate, actions to mitigate disproportionate impacts or barriers will be taken. As with any new policy, there is a degree of uncertainty as to the actual impact, which will only be resolved by monitoring the impact of the policy as it operates.

The following Action Plan has been approved by Liam Byrne, Minister of State for Borders and Immigration.

- **Monitoring and Review arrangements:** one of the benefits offered by the PBS is the improved management information that it will provide. This will be used to monitor the policy for its impact on the seven equality target areas above.

¹⁰ Rhian Beynon, *Race and Immigration: is it the end of the affair?* (Joint Council for the Welfare of Immigrants Bulletin, Spring 2006).

¹¹ *Gender Identity and Employment Monitoring: Best Practice Recommendations* (a:gender, June 2007) and *Gender Identity and Employment Monitoring: A transsexual/transgender/intersex perspective* (a:gender, no date). a:gender is the Civil Service-wide support network for staff who have changed or need to change permanently their perceived gender, or who identify as intersex.

- Ongoing stakeholder engagement: for those equality target areas where quantitative data is not available, we will review the policy one year after launch with stakeholder groups to check for any disproportionate impacts.

Stakeholder groups consulted

As well as ongoing discussions with various stakeholders, policy proposals for the skilled tier of the PBS, were sent on the 29 February 2008 to the following stakeholder groups for comments:

<u>All target areas:</u>	Equality and Human Rights Commission ILPA Joint Council for the Welfare of Immigrants Terrence Higgins Trust The Runnymede Trust Trades Union Congress Immigration Advisory Service Local Government Association Convention of Scottish Local Authorities
Race:	Black Information Link
Religion, belief and non-belief:	The Inter Faith Network for the UK
Disability:	Office for Disability Issues Employers' Forum on Disability
Gender:	Women's National Commission
Gender Identity:	a:gender Scottish Transgender Alliance Gender Identity Research and Education Society Press for Change
Sexual Orientation:	Stonewall
Age:	Age Positive

Other Specific Impact Assessments

We have examined the remaining specific Impact Assessments and concluded that they do not apply to this assessment.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	No	No
Rural Proofing	No	No

Annexes

ANNEX A: Cost Benefit Analysis Assumptions

Area	Assumptions	Effect on NPV over 10 years
RLMT Requirement	<p>Changes in requirements to implement RLMT could potentially allow quicker access for all (2 weeks) and 3 weeks for salaries over £40,000. We assume only 50% of employers choose to fill posts with new migrants more quickly.</p> <p>Under £40,000, per head output: £29,500, volume:11,300</p> <p>Over £40,000, per head output: £70,100, volume: 5,600</p>	<p>plus £153m</p> <p>(average £17.7m a year)</p>
English Language	<p>5% of migrants displaced by English speakers – no fall in volumes.</p> <p>English proficiency raises productivity 20% (Dustmann/Fabbri estimate¹²)</p> <p>Migrants assumed to remain working in the UK for 3 years.</p> <p>Initial output per head assumed to be £30,000, volume: 16,900</p>	<p>plus £116m</p> <p>(average £13.7m a year)</p>
Introduction of a leave to remain test after 3 years initial grant of leave	<p>Effectively an increase in the cost of a work permit for those who currently have over 3 years leave (estimated to be 16,000 for ICT and Tier 2 General combined). Wage elasticity of -0.5¹³ applied to total salary over 5 years.</p> <p>Assumed salary/productivity per head: £40,000</p> <p>Increase in costs:£520 (combined fees for employers and migrant)</p>	<p>minus £23m</p> <p>(average -£2.7m a year)</p>
Set-up Costs	<p>£8.5m IT service contract</p> <p>£1.0m Additional Training</p> <p>£0.09m Extra Accommodation</p>	<p>minus £9.5m</p> <p>(cost applies for first year only)</p>
Total		plus £237m

¹² Christian Dustmann and Francesca Fabbri, 2003, "Language Proficiency And Labour Market Performance Of Immigrants In The UK" The economic Journal vol 113

¹³ This estimate is consistent with similar estimates used in impact assessments for charging published by the UK Border Agency.

