

Institute for Public Policy Research



**BRIEFING**

**II**

# **BUILDING A POST-BREXIT IMMIGRATION SYSTEM FOR THE ECONOMIC RECOVERY**

**Marley Morris**

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## ABOUT THIS PAPER

This report meets IPPR's educational objective by informing the public on the UK's future immigration system and its implications. The report also contributes to IPPR's objective of relieving poverty and unemployment by setting out recommendations for how the immigration system can support the economic recovery, improve working conditions, and tackle exploitation.

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# SUMMARY

The UK is set to introduce a new system for work-based immigration in January 2021. For the first time in decades, the government will apply the same rules on migration to both EU and non-EU citizens. These changes to immigration policy come at a time of extraordinary economic upheaval, as the UK government continues to wrestle with the impacts of the coronavirus pandemic and prepares for the UK's departure from the EU single market.

This report assesses the potential implications of the government's new points-based immigration system and sets out proposals for how the system can support the UK's economic recovery. We explore how immigration policy can be designed to facilitate the UK government's ambitions to 'build back better' from the coronavirus crisis. Our recommendations focus on how the UK's immigration system can help create high quality, well paid jobs and enhance working conditions for UK and migrant workers alike.

## FINDINGS

The report finds that there are both risks and opportunities for the new immigration system. While it is hard to predict with certainty the impact of the rules – and in the short term it is likely that coronavirus and ongoing travel restrictions will make it hard to discern the consequences for overall migration flows – there is evidence to suggest that particular sectors will struggle to recruit overseas workers under the new system.

Our analysis suggests that some sectors are already highly reliant on EU workers. In food manufacturing, EU migrants make up around one in four workers, while in accommodation and warehousing and support for transport they make up around one in five. In London, EU-born workers constitute around 30 per cent of the building construction workforce.

The new system is likely to make future recruitment from the EU much harder. The main route under the new system – the 'skilled worker' visa – will typically require migrants to be sponsored by an employer for a job deemed at least medium-skilled and with a minimum salary of £25,600. Our estimates suggest that more than 80 per cent of EU migrants working as employees in the wholesale and retail, transport and storage, and hotels and restaurants sectors would be ineligible for a skilled worker visa under the new rules. Even where migrants are eligible, fees will run into thousands of pounds for both employers and workers. Evidence from the current 'tier 2' system of work visas – which bears strong similarities to the new proposed system – suggests that the vast majority of visas sponsored are concentrated in information and communication, financial and business services, and health and social work. Other sectors are likely to find it far harder to recruit from abroad.

Our analysis suggests that the impact of the new points-based system will vary by sector. Some sectors such as technology and finance will be relatively protected. Other sectors such as hospitality will have few vacancies available in the short-term due to the effects of the pandemic, so the implications are likely to be limited. However, in some sectors where the economic prospects are more positive – such as manufacturing, logistics, and construction – employers may struggle. In construction, for instance, employers will not be able to sponsor workers for jobs such as road construction operatives, cable layers, and dryliners. While the government's priority will be to support unemployed UK workers into these jobs,

it is likely to take some time to retrain and up-skill workers for them to fill such vacancies. The new restrictions could therefore inhibit recruitment in key sectors, including construction, food processing, and social care.

Some have argued that restrictions on migration could benefit UK workers. In the long run, this is unlikely. This is because there are not a fixed number of jobs in the economy. Migration does not only increase the supply of workers; it can also increase demand for workers – for instance, by increasing consumer demand for goods and services, or by encouraging businesses to expand production in sectors employing many migrants. Indeed, empirical research has found that in the long run migration has no significant impact on overall wages or unemployment.

Our analysis also finds that there is a risk that the new immigration system could lead to an increase in poor working practices and exploitation. Unscrupulous employers who were previously reliant on EU workers could turn to informal work arrangements to fill vacancies, placing migrants in more vulnerable situations. There is already evidence of migrants being subject to substandard working conditions: a study from Focus on Labour Exploitation (FLEX) of migrant construction workers in London found that around half had no written contract and around one-third had experienced physical or verbal abuse at work. Our interviews with migrant workers found a range of instances of pre-existing poor practices, including unfair deductions, inadequate health and safety measures, and firing and hiring on weaker terms and conditions.

However, there are also opportunities in rolling out the new system. Introducing the new policy provides a chance for the government to design it in such a way to tackle some of the UK's deep economic challenges. In particular, one of the assets of points-based systems is that they are flexible; different points can be assigned to different criteria, and there are different ways for applicants to score the minimum points requirement. This means that the government can finesse the scoring system to help it address its preferred objectives.

## RECOMMENDATIONS

We put forward six main recommendations to the Home Office to both address the risks of ending freedom of movement and maximise the opportunities of introducing a new points-based system. Our proposals aim to help spur the economic recovery by supporting key sectors to grow, while protecting against a race to the bottom on workers' rights.

### ***Recommendation 1: Expand the shortage occupation list to allow for the inclusion of occupations at all skill levels***

The government's current proposals make it easier for migrants to get a skilled worker visa if they apply for a job on the shortage occupation list. However, these jobs must be at least medium-skilled and in shortage to qualify. We propose expanding the list to allow for jobs of all skill levels and exempting applicants from the skills requirement when they have a job on the list. We also suggest rebranding the list as a 'priority occupation list' and including jobs that are critical for the government's social or economic policy. This would allow migrants to be sponsored for certain jobs that do not qualify as medium-skilled where there is a clear economic or social benefit. Our proposals would help make the immigration system more responsive to economic challenges and more in line with overall government strategy.

### ***Recommendation 2: Scrap the general salary threshold***

The current salary threshold of £25,600 (and lower in certain circumstances) is too inflexible and does not reflect the full contribution of migrant workers. We propose removing the general salary threshold but retaining the occupation specific threshold, which is typically set at the 25th percentile of the salary distribution for each occupation. The occupation-specific threshold should be retained to prevent undercutting and unfair treatment of migrant workers.

### ***Recommendation 3: Require employers to pay the real living wage to all their employees to gain a sponsorship licence***

Employers are currently expected to comply with sponsor duties in order to have a licence to sponsor migrant workers. We propose extending these duties to include paying the real living wage to all their employees (both migrant and UK workers). This would help to encourage employers to improve the pay of those on low wages.

### ***Recommendation 4: Grant additional points for applications to more responsible employers under the points-based system***

Under a points-based system, it is possible to award points based on the type of employer sponsoring the applicant for a skilled worker visa. We propose awarding additional points for applicants who are sponsored by a 'good work' employer. An employer who meets the good work standard would be one that fulfils a number of conditions relating to responsible employment practices, such as ensuring minimum guaranteed hours, recognising a trade union, offering above the statutory paid leave and benefits, and investing in skills and training. This recommendation would use the points-based system as a means of incentivising more responsible working practices among employers.

### ***Recommendation 5: Require sponsors to inform migrant workers of their employment rights***

Migrants can be at greater risk of exploitation because they are less aware of their employment rights. We propose requiring employers to inform workers of their employment rights as part of their sponsor duties. Information should be translated into multiple languages and include a list of statutory rights and details on how to join a trade union. Given the risks of exploitation going unnoticed due to complex sub-contracting arrangements, we also recommend requiring employer sponsors to commit to taking additional steps to monitor, identify and manage the risk of labour exploitation along their supply chain. This would help to tackle exploitation and encourage better employment standards through the design of the immigration system.

### ***Recommendation 6: Expand the funding and focus of labour inspectorates***

The UK's current system of labour enforcement is fragmented and poorly funded. We support the government's plans to create a single enforcement body to enhance labour rights. We also recommend expanding the resourcing of labour inspectorates to meet International Labour Organisation (ILO) minimum standards and extending licensing schemes to include at-risk sectors such as construction, hospitality, cleaning, and social care. Finally, we recommend closer working between the Home Office and the Director of Labour Market Enforcement, in order to ensure more effective cooperation between efforts to reform immigration policy and initiatives to tackle labour exploitation.

# INTRODUCTION

The UK's immigration system is on the verge of a major transformation. At the beginning of 2021, the government is ending the free movement of people and introducing a new points-immigration system for EU and non-EU citizens. At the same time, the Home Office has launched a review of its 'compliant environment' and is bringing forward a wide-ranging programme of cultural change and development within the department. More broadly, the labour market is in turmoil as the coronavirus pandemic and ensuing lockdowns deliver a profound economic shock to multiple industries. Unemployment is forecast to rise significantly in the coming months. In this context, introducing a comprehensive structural change to the UK's immigration system is likely to prove a challenging feat.

The introduction of the new immigration system is an ambitious undertaking that brings with it both risks and opportunities. On the one hand, ending the free movement of EU citizens poses deep challenges for industries – such as construction, social care, and food manufacturing – that are currently highly reliant on EU workers. The compressed timeline and the additional pressures of the current pandemic could make it particularly hard for industries to adjust to the new labour market. The government's plans also present risks for EU citizens currently living in the UK, whose rights should be protected but whose lives may nevertheless be affected by immigration controls under the new system.

On the other hand, the government's plans also present opportunities for reforming the system for the better. For the last decade, the government's immigration policy could be boiled down to a simple pledge: bringing overall net migration down to the tens of thousands. This crude objective was never fulfilled and ultimately ended up undermining many of the government's other ambitions – from increasing education exports by expanding international student numbers to resolving NHS staff shortages. The new points-based system represents an opportunity to rethink the UK's immigration policy and to develop a strategy that meets the economic challenges currently facing the country. As the government makes efforts to rebuild the economy in the wake of the current crisis, the immigration system can be designed to help create high quality, well paid jobs and enhance working conditions for UK and migrant workers alike.

In this report we will set out our analysis of the government's proposed immigration system, including our assessment of the potential impacts for the UK labour market. We will draw on new analysis of labour force survey data, as well as interviews with migrant workers from a range of industries. We will outline a new set of proposals for delivering an immigration system that supports the economic recovery, improves working conditions, and tackles inequalities and exploitation. In the following chapters, we will set out the government's proposed system and analyse its impacts on different industries. In the final chapter, we will set out our recommendations for a future immigration system that can respond effectively to the current economic crisis.



# 1.

## THE CURRENT STATE OF THE UK LABOUR MARKET

The UK is in the midst of a deep recession. The labour market faces a series of pressing challenges, some long-standing and others an immediate result of the coronavirus pandemic. These challenges range from rising unemployment and job insecurity to entrenched inequalities and discrimination. In this chapter we discuss some of the key challenges for the labour market, in order to outline the economic context as the government rolls out its future immigration system.

### RISING UNEMPLOYMENT

The UK faces a once-in-a-generation jobs crisis. The coronavirus pandemic and subsequent lockdowns have forced the temporary closure of many businesses and severely harmed the viability of whole sectors of the economy, including transport, hospitality, and non-essential retail. The claimant count - measuring the number of people claiming unemployment benefits - increased by 1.5 million between March and September 2020 (House of Commons Library 2020a). While the government's job retention scheme has supported thousands of businesses and protected millions of jobs by covering 80 per cent of the salary of employees who are furloughed, once the scheme winds down this is likely to lead to a significant rise in redundancies.

Researchers have highlighted that young people are at particular risk of unemployment during this downturn, due to younger workers tending to be employed in badly affected sectors such as hospitality (Costa Dias et al 2020). There are concerns that unemployment among young people could produce a 'scarring' effect for this generation, which could lead to long-term unemployment for many recent school-leavers and graduates (Quilter-Pinner et al 2020). In response to this challenge, the government has introduced a Kickstart Scheme to fund job placements for 16–24 year olds. But as many businesses continue to struggle to bounce back from the pandemic, vacancies are still far below pre-pandemic levels.

### INSECURE AND PRECARIOUS WORK

Before the current pandemic, the UK economy was already experiencing a number of systemic problems. Wages had stagnated after the financial crisis and productivity growth had slowed. There had also been a significant rise in insecure and precarious employment, including non-standard contracts, agency work, and jobs in the 'gig economy' (CEJ 2018). The number of people on zero-hours contracts rose from around 170,000 in the last quarter of 2010 to just under 1 million in the last quarter of 2019 (ONS 2020a).

The current economic crisis could exacerbate these challenges. Productivity levels appear to have fallen significantly as a result of the first lockdown (ONS 2020b). A rise in unemployment could depress earnings and cause the government to scale back plans to raise the minimum wage. The latest labour force data indicate that the number of people on zero-hour contracts has continued to increase since the pandemic began, surpassing 1 million people in the second quarter of 2020 (ONS 2020a).

Moreover, the pandemic has also exposed existing poor working practices among many employers. In sectors such as textiles, food manufacturing, and agriculture, outbreaks within workplaces have shone a light on sub-standard working conditions, including minimal efforts to introduce social distancing measures to protect workers against the spread of the virus. The rise in cases in Leicester over the summer was, for instance, associated with reports of poor working practices and exploitation among clothing manufacturers in the city. This has highlighted the importance of maintaining high quality working conditions, in order to protect employees and safeguard public health.

### **INEQUALITY AND DISCRIMINATION**

The UK labour market contains long-standing inequalities, including divides between genders, ethnicities, and regions. According to the OECD, the UK has one of the highest levels of income inequality in Europe. Income inequalities widened during the 1980s and have remained stubbornly large in recent years (House of Commons Library 2020b). Developments in technology could further exacerbate inequalities, with evidence suggesting that low-paid jobs are at the most risk of being automated (Lawrence et al 2017).

The pandemic has highlighted the deep and sustained ethnic inequalities in our labour market. People from minority ethnic backgrounds are more likely to be employed in low-paid work and to be overqualified for their jobs (Brynin and Longhi 2015). There is also evidence of widespread discrimination among employers. One recent field experiment found that applicants from minority ethnic backgrounds had to send an average of around 60 per cent more job applications than their white British counterparts to get as many positive responses (Di Stasio and Heath 2019).

The current crisis has particularly affected people from minority ethnic backgrounds. Apart from being more likely to contract and fall seriously ill from the virus, people from minority ethnic backgrounds have also faced more extreme economic consequences because they are overrepresented in affected industries such as hospitality and transport (McIntyre et al 2020).

There are also inequalities in the labour market based on individuals' immigration status. Migrant workers are more exposed to the economic consequences of pandemic, because they are concentrated in hospitality, more likely to be in self-employed work, and are less likely to be unionised (Morris 2020).<sup>1</sup>

Our interviews with EU migrant workers illustrated the varying impacts for different industries and occupations. One Polish man working as a freelance private butler in the events industry had experienced repeated cancellations and a severe loss in income since the start of the pandemic; he had turned to working through an agency in pubs and takeaways to make ends meet. Another Polish man who worked as a tailor for a dry-cleaning company was made redundant during the first lockdown without notice and had lost out on a final payment. We also heard, however, some more positive stories – for instance, a Lithuanian woman working for a cleaning company whose hours had been reduced since the pandemic but who had not experienced a pay cut. This highlights the varying impacts of the current crisis on people working on different employment contracts and in different sectors of the labour market.

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The UK labour market is therefore in a precarious state, facing several severe and pressing challenges. The Home Office's plans for a new points-based immigration

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<sup>1</sup> The precise impacts on migrants vary depending on their labour market profile – for further details, see Fernández-Reino and McNeil 2020.

system could be designed to help support efforts to address these problems, by creating jobs, improving working conditions, and tackling inequalities and discrimination. In the following chapters, we outline the government's plans for a new immigration policy – starting, at first, with a discussion of the broad rationale behind points-based systems.

## 2.

# THE PRINCIPLES BEHIND A POINTS-BASED IMMIGRATION SYSTEM

The ‘Australian-style points-based system’ has become a recurring ambition for UK immigration policy. Referred to in turn by politicians as diverse as Michael Howard, Gordon Brown and Nigel Farage, the idea has long held considerable purchase among politicians and policymakers. Research has found that the public often raise the Australian points-based system without any prompting when discussing immigration (Rutter and Carter 2018). Variants of points-based systems were previously introduced by the Labour government in 2002 and 2008. While the Australian approach is often not debated in great detail in the UK, it is typically seen as the archetype of a fair, selective immigration system.

The latest incarnation of the ‘Australian-style points-based system’ emerged from the 2016 referendum on EU membership. The Vote Leave campaign argued that by leaving the EU and ending the free movement of people, the UK could introduce a new points-based immigration system for both EU and non-EU citizens. Upon attaining office, prime minister Boris Johnson announced that the government would introduce a points-based system once the UK left the EU and ended free movement. After consulting the Migration Advisory Committee, the government has set out plans to introduce the new system at the beginning of 2021 (Home Office 2020a).

But what is a points-based system and how does it differ from other selective immigration systems? Despite much public discussion of the Australian-style points-based system, there has been little focus on the precise details of how such a system works. In this chapter, we set out the basic principles behind a points-based system, illustrate how it has worked in the past and in other countries, and indicate how it could be a useful tool to help address the UK’s current economic challenges.

### WHAT IS A POINTS-BASED SYSTEM?

The discussion of points-based systems generally refers to the way in which migrants are selected in order to be admitted into a country’s work immigration route.

Under a points-based system, migrants are selected based on different criteria, each of which is assigned a point score. Usually, though not always, these criteria are based on personal characteristics that relate to how successfully a migrant might integrate into the country’s labour market – for instance, age, highest educational qualification, work experience, and language proficiency. The number of points a migrant obtains by having these different attributes then helps them to be admitted onto their chosen work immigration route. Sometimes the system is designed so that there is a fixed number of points necessary for a migrant to score in order to be admitted; alternatively, there could be an overall quota for the number of applicants, so that the successful applicants are those with the highest point scores within the quota (MAC 2020a).

Importantly, a points-based system typically allows different criteria to be traded off against each other – that is, applicants can offset their low point score in some categories by scoring higher points in other categories. This means that there are multiple ways for a migrant to score enough points to secure a place onto their chosen immigration route.

As the Migration Advisory Committee has noted, any selective immigration system can in fact be packaged as a points-based system (MAC 2020a). This is because, even when a selective immigration system has no explicit reference to point scores, it can be turned into a points-based system by assigning points to each eligibility criterion in a way that replicates the selection process of the original system.

However, for the purpose of this report, we define a points-based system as one that explicitly assigns points for different attributes. Furthermore, a points-based system should assign points in a way that attributes can be traded off against each other – so that there is more than one way of scoring enough points to be successfully admitted.

Often points-based systems are associated with work immigration routes that do not require a job offer. In these routes, migrants are selected based on their ‘human capital’ – the personal characteristics that indicate they will make a contribution to the UK economy, largely comprising their skills and work experience. These kinds of routes are more centrally planned, because the government decides who is admitted according to what criteria. By contrast, an immigration route that requires a job offer is typically said to be ‘employer-led’. For employer-led routes, migrants are only selected for admittance if they are sponsored by an eligible employer. This puts employers, rather than government, in the driving seat when determining the selection of migrants (Sumption 2019).

## **EXAMPLES OF POINTS-BASED SYSTEMS PAST AND PRESENT**

The government has proposed that it models its new policy on the Australian points-based system. The Australian system in fact has several different work immigration routes – some of which are points-based, some of which are not. The system also has a strong regional element – some visa routes require nomination from a state or territory government and some routes tie workers to designated regional areas of Australia.

The most well-known points-based route in Australia is the ‘skilled independent’ visa (subclass 189). This is a permanent route that does not require a job offer and is points-tested according to a number of selection factors, including language proficiency, age, educational qualifications, Australian and overseas skilled employment experience, and education/training in Australia. This visa route therefore determines eligibility based on the human capital of the individual applicant, rather than the characteristics of the job vacancy they are looking to fill. Alongside the points-tested element of the visa, applicants also have to fulfil a number of additional criteria, including being aged 45 or under and having a ‘skills assessment’ to prove they have the skills to be employed in a relevant occupation. The route is generally considered to be an important element of a well-managed and effective system, but it is far from a silver bullet; the system works by combining together a series of different and complementary migration routes (OECD 2018; DHA 2019).

Other immigration systems around the world also have points-based routes that do not require a job offer. For instance, in Canada, the Federal Skilled Worker Program is a points-based route that factors in characteristics such as language skills, education, work experience and age. In contrast to the Australian skilled independent visa, it also awards points for applicants with a valid job offer, provided the job meets a certain skill level and is for continuous,

full-time work for at least a year. Therefore, a job offer can be a benefit for accessing this immigration route, but it is not a requirement. Canada's system is particularly effective in monitoring the labour market outcomes of its migrants and using this evidence to adapt and finesse its points-based routes to maximise their success (OECD 2019a).

In the past, the UK has had points-based immigration routes with no job offer requirement. The Highly Skilled Migrant Programme (HSMP) (which ran from 2002 to 2008) and its successor, the tier 1 (general) route (which ran from 2008 to 2011), were both points-based routes for highly skilled migrants without the need of a job offer. These routes attached points to attributes such as age, qualification level, previous earnings, and work or education experience in the UK. Unlike the Australian and Canadian points-based routes described above, these routes did not automatically guarantee permanent settlement; instead they gave temporary leave to remain, which could then be extended and turned into indefinite leave to remain upon further applications to the Home Office. In 2011, the tier 1 (general) route was closed due to concerns that a significant proportion of migrants entering through this route were not in high-skilled work (MAC 2020a).

There are also examples of points-based routes that do require a job offer; these could be described as 'hybrid' routes that combine elements of traditional points-based systems with employer-driven systems. One example is Austria's 'red-white-red card', which includes a number of points-based routes. For instance, the 'other key worker' route requires a binding job offer at a minimum salary level, as well as a sufficient number of points for criteria such as age, qualifications, work experience, and German and English language skills. The route also has a labour market test to ensure that no equally qualified person registered with Austria's employment service can be recruited. The Austrian approach therefore combines criteria traditionally included within employer-driven systems – relating to the job offer and salary level – with criteria traditionally included within points-based systems – relating to the personal characteristics of the applicant (Republic of Austria 2020).

The UK has also had a points-based system with a job offer requirement in the past. In 2008, the government introduced the original version of the tier 2 (general) route – the main route for skilled workers to come to the UK. This was a points-based route that also required employer sponsorship. Migrants could score points for the type of sponsorship (such as whether it was a shortage occupation), their qualification level, and their prospective earnings. These points could be traded off against each other – for example, applicants could secure enough points with higher educational qualifications but lower prospective earnings, or vice versa. But in 2011, after a number of reforms – and in light of the government's efforts to bring down net migration – this system was stripped down so that attributes could no longer be traded off against each other. The current tier 2 (general) route is still nominally points-based, but in practice there is only one way of securing enough points to be eligible (MAC 2020a).

Finally, some countries have points-based routes that apply to employers as well as prospective migrants. In South Korea, the Employer Permit System (EPS) for lower-skilled workers has a points-based system for employers to be able to obtain employment permits (as well as a labour market test requiring vacancies to be advertised at job centres). Points are awarded based on factors such as the number of native Koreans hired during the labour market test, the demand for overseas workers, and responsible employment practices (such as the completion of training for workers and provision of quality accommodation). There are also point penalties for mistreatment of workers and violation of employment laws. The idea of the points-based system is to benefit employers who have a genuine need for migrant labour and penalise abusive and unscrupulous employers (OECD 2019b).

As we can see from this brief review of different points-based systems, there are many ways in which the awarding of points can be used to manage work-based migration. One of the primary benefits of points-based routes is flexibility – the allocation of points for different criteria can be used to create sophisticated migration systems, in the recognition that there may be multiple benefits of migration and that there is not one single type of migrant that provides an economic and social contribution. On the other hand, the primary downside is complexity – a points-based immigration system is likely to be harder for migrants and employers to use than one which has a single set of minimum eligibility criteria.

As the government introduces its new immigration system, there is an opportunity to mobilise the flexibility of the points-based approach to respond to the current challenges facing the UK economy. By carefully designing the points-based route – and by reforming it regularly as circumstances change – the government can use the new immigration system to support job creation, improve working conditions, and tackle inequalities and exploitation within the labour market.

### 3.

## THE GOVERNMENT'S NEW POINTS-BASED SYSTEM

The last chapter set out the basic principles underpinning points-based immigration systems. In this chapter, we outline how the government intends to introduce its own points-based system. For the first time since the UK joined the European Economic Community in 1973, this new system will apply to both EU and non-EU citizens.<sup>2</sup>

As noted by the Migration Observatory, while the new policy is described as an 'Australian-style' points-based system, it nevertheless has some important difference compared with the Australian approach (Walsh 2020). Most notably, the system will still require employer sponsorship for admittance, and so it will be mostly led by an employer's demand for a particular worker rather than the personal characteristics of the applicant.

The new points-based system will therefore in many respects follow the government's current work immigration policy, which also assigns points based on various factors and takes an approach based on employer sponsorship. A key difference between the current system and the future one, however, is that under the new approach certain factors will be more explicitly 'tradeable' – that is, there will a number of ways for migrants to score enough points to be admitted. In the following sections, we spell out these differences in more detail.

### THE CURRENT SYSTEM

Under the current immigration system, there are significantly different rules for EU and non-EU citizens. Due to the UK's membership of the single market, EU citizens in effect have the right to live and work in the UK without restriction. Non-EU citizens, on the other hand, are subject to strict immigration controls and can only work in the UK with the appropriate permission.

The current work immigration system for non-EU migrants is split up into a number of different 'tiers'.

- **Tier 1** includes visas for entrepreneurs, investors and the highly skilled. These visas are not tied to a particular employer sponsor and do not require a job offer. Most relevant for this report is the global talent visa, which is not explicitly listed as a tier 1 visa but which recently replaced the former tier 1 (exceptional talent) visa. This visa is designed for those who are leaders or potential leaders in their field – covering sectors including academia and research, digital technology, and the arts and culture.
- **Tier 2** is for long-term work visas. Most important is the tier 2 (general) visa, which is the main employer-sponsored route for skilled work – this is discussed further below. Also relevant is the tier 2 (intra-company transfer) visa, which allows migrants based overseas in multi-national companies to be transferred to one of their employer's UK branches.
- **Tier 5** is for short-term work visas. This includes several specialised routes as well as the tier 5 (youth mobility scheme) visa, which allows young people from certain countries to live and work in the UK for up to two years.

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<sup>2</sup> Irish citizens will be exempted, as the Common Travel Area will be maintained.



Tier 2 (general) is the main route for skilled workers to come to the UK from outside the EU. To be eligible for a tier 2 (general) visa, applicants must be assigned a valid certificate of sponsorship for their job. In practice, this means they need to be sponsored by an eligible employer for a highly skilled job – a job skilled at degree level or higher.

The job also has to be at the appropriate salary level – for experienced entrants, this is the higher of either the general salary threshold of £30,000 or the salary threshold for the occupation for which they are sponsored (generally this is the 25th percentile of the salary distribution for this occupation – ie the level at which 25 per cent of workers in this occupation earn less). In addition, migrants must have an adequate knowledge of the English language and have enough funds in their bank account to prove they can support themselves. There are also exemptions for certain groups – for instance, the general salary threshold for ‘new entrants’ to the labour market (including those aged under 26 or those switching from a student visa) is only £20,800.

In the tier 2 (general) system, these eligibility criteria are framed in the context of a points-based system; each criterion is assigned a number of points according to the below chart. However, given there is only one way to score 70 points – that is, meeting all the criteria below – tier 2 (general) is only nominally a points-based route.

**TABLE 3.1: THE TIER 2 (GENERAL) ROUTE FOR SKILLED WORKERS**

Tier 2 (general) eligibility
Applicants need 70 points, including...
<b>50 points for attributes</b>
Points for attributes include...
<ul style="list-style-type: none"> <li>• 30 points for employer sponsorship</li> <li>• 20 points for appropriate salary</li> </ul>
<b>10 points for English language</b>
<b>10 points for maintenance</b>

Source: IPPR analysis of Home Office 2020b

Under the current system, there are also a set of rules for employers to follow. To sponsor a migrant, employers must fulfil the following criteria.

- They must first apply for a sponsor licence, which requires demonstrating that they are an eligible and suitable employer.
- They must ensure that there is no-one settled in the UK who can do the job instead (known as the ‘resident labour market test’).
- They must pay an immigration skills charge (£1,000 per person per year for large employers, or £364 for small employers and charities).

Finally, there is currently an annual cap of 20,700 on the number of certificates of sponsorship for tier 2 (general) visas.<sup>3</sup> This cap is divided into allocations of around 1,000–2,000 certificates of sponsorship which are made available each

<sup>3</sup> There are some ‘unrestricted’ certificates of sponsorship which are exempted from the cap – eg where the occupation is a doctor or a nurse.

month. Where the cap is reached, the government uses a points test to select between applicants, prioritising those being sponsored for work in shortage occupations and those on higher salaries.

### THE FUTURE SYSTEM

The government announced its plans for a points-based immigration system in February 2020 and provided further details in July (Home Office 2020c). The new system will no longer distinguish between EU and non-EU citizens. In future, EU citizens will be subject the same immigration controls as non-EU citizens.

This does not mean, however, that EU citizens will simply be amalgamated into the pre-existing immigration system. The new system will be similar to the system that is currently in place for non-EU citizens, but there will be some important differences.

Most notably, there will be a new skilled worker route for EU and non-EU citizens that will replace the tier 2 (general) route for non-EU citizens. This new route will involve less stringent conditions compared with tier 2 (general). The new immigration system will therefore be far more restrictive for EU citizens than previously, but at the same time somewhat less restrictive for non-EU citizens.

The skilled worker route has a number of similarities with the current tier 2 (general) route. As with the current system, migrants will have to be sponsored by an eligible employer to be admitted and they will have to speak English at the required level, but the minimum skill level of the job they are sponsored for will be lower. While, under the current rules, non-EU migrants must work in a job skilled to at least RQF level 6 (degree level or equivalent), under the new system the job only needs to be skilled to at least RQF level 3 (A-level or equivalent – ie ‘medium skilled’). This means that employers can sponsor migrants for a range of new occupations that were previously unavailable in the tier 2 route – including occupations such as graphic designers, car mechanics, butchers, and senior care workers.

Under the new system, the general salary threshold for applicants will also be lowered from £30,000 to £25,600. As under tier 2, applicants will also face an occupation-specific salary requirement known as the ‘going rate’ for their profession, which is the 25th percentile of earnings within their occupation. The ‘going rate’ is calculated on a pro-rata basis, while the general salary threshold of £25,600 is an absolute minimum, regardless of the number of hours worked.

There are also exemptions under the new system which allow for lower salary thresholds in certain cases. Where applicants have a PhD in a subject relevant to their job, they only need to meet a lower general salary threshold of £23,040 and the occupation-specific salary threshold is 10 per cent lower than the going rate. Where applicants are sponsored for a job on the shortage occupation list or have a PhD in a science, technology, engineering, or mathematics (STEM) subject relevant to their job, they only need to meet a general salary threshold of £20,480 and the occupation-specific salary threshold is 20 per cent lower than the going rate. ‘New entrants’ to the labour market – including those aged under 26 or those switching from student visas – are also subject to the lower salary threshold of £20,480 and an occupation-specific salary threshold which is 30 per cent lower than the going rate.<sup>4</sup> Finally, those working in certain public sector jobs in health and education (such as nurses, paramedics and secondary school teachers) are not subject to ‘going rates’ – they need only meet the lower general salary threshold of £20,480 and the relevant national pay scale for their profession.

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<sup>4</sup> There are similar provisions for ‘new entrants’ in the current system, but these are not explicitly framed in the context of point scores.

These eligibility criteria are characterised as a points-based system, involving both mandatory ‘non-tradeable’ points and ‘tradeable’ points. Applicants must score 50 of the ‘non-tradeable’ points, as outlined in table 3.2 – given that there is only one way to score 50 points, this means they must meet all three of the criteria specified here. Applicants must then also score 20 ‘tradeable’ points, as outlined in table 3.2 – here there are different ways for applicants to score these 20 points. In total, applicants must score 70 points to be eligible for a skilled worker visa.

**TABLE 3.2: THE NEW SKILLED WORKER ROUTE UNDER THE POINTS-BASED IMMIGRATION SYSTEM**

Skilled worker eligibility
Applicants need 70 points, including...
<b>50 non-tradeable points, including:</b>
<ul style="list-style-type: none"> <li>• 20 points for employer sponsorship</li> <li>• 20 points for job at an appropriate skill level</li> <li>• 10 points for intermediate English language skills</li> </ul>
<b>20 tradeable points, including one option from List 1 and one option (or none) from List 2:</b>
<b>List 1 (Salary)</b>
<ul style="list-style-type: none"> <li>• 0 points for salary of at least £20,480 and at least 80% of going rate for the profession (70% for new entrants)</li> <li>• 10 points for salary of at least £23,040 and at least 90% of going rate for the profession</li> <li>• 20 points for salary of at least £25,600 and at least the going rate for the profession</li> <li>• 20 points for salary of at least £20,480 and a listed health/education job which meets national pay scales</li> </ul>
<b>List 2 (Other)</b>
<ul style="list-style-type: none"> <li>• 10 points for PhD in subject relevant for job</li> <li>• 20 points for PhD in STEM subject relevant for job</li> <li>• 20 points for job on shortage occupation list</li> <li>• 20 points for ‘new entrant’ to labour market</li> </ul>

Source: IPPR analysis of Home Office 2020c

For employers, the new system will for the most part be similar to the current arrangements for tier 2 (general): employers will need to apply for a sponsor licence and then sponsor migrants by assigning certificates of sponsorship. The Home Office has introduced some ways of streamlining the system for employers – most notably, scrapping the resident labour market test and removing the cap on visas. This means that the typical length of time taken to sponsor someone on the skilled worker route will be reduced by up to eight weeks, compared to the current process for tier 2 (general) (Home Office 2020c).

Yet there will still be significant costs attached to sponsoring a migrant for a skilled worker visa. Table 3.3 summarises the typical costs of the process for employers and individuals.

**TABLE 3.3: COSTS FOR EMPLOYERS AND APPLICANTS UNDER SKILLED WORKER VISA**

Employer fees	Small and charitable sponsors	Medium or large sponsors
Skilled worker licence fee	£536	£1,476
Certificate of sponsorship fee (cost per certificate)	£199	£199
Immigration Skills Charge (annual fee per worker)	£364	£1,000

Applicant fees	Applying from overseas	Applying in-country
Application fee (up to 3 years)	£610 (or £464 for jobs on shortage occupation list)	£704 (or £464 for jobs on shortage occupation list)
Application fee (over 3 years)	£1,220 (or £928 for jobs on shortage occupation list)	£1,408 (or £928 for jobs on shortage occupation list)
Dependant's fee	Same as application fee	Same as application fee
Immigration Health Surcharge (annual fee)	£624	£624

**Note:** This table does not include costs for the Health and Care Visa, which is a part of the Skilled Worker route. The Health and Care visa allows people sponsored for eligible health and care occupations to be fast-tracked under the Skilled Worker route, with reduced application fees and an exemption from the Immigration Health Surcharge.

Source: IPPR analysis of Home Office fees

The new system therefore will introduce a series of important changes to policy on work immigration. First, and most importantly, EU citizens will no longer have the right to freely live and work in the UK and will be subject to the same restrictions as non-EU citizens. Second, the new major route for work immigration will be less restrictive than the current tier 2 (general) route for non-EU citizens – most notably, it will involve lower thresholds for both skill and salary levels. Third, there will be greater flexibility compared to the current system, because applicants will be able to explicitly trade criteria against each other. This means that an applicant sponsored for a job that does not meet the general salary threshold of £25,600 may still be eligible for a skilled work visa if, for instance, they have a relevant PhD or if their job is on the shortage occupation list.

The precise implications of these changes for the UK labour market are, however, hard to predict, particularly in the context of the current pandemic and the wider transformation in the UK’s relationship with the EU. In the next chapter we explore the implications of the new system in more detail.

## 4.

# THE IMPLICATIONS OF THE NEW POINTS-BASED SYSTEM

The new points-based system is expected to have an important impact on the UK labour market. For the past two decades, EU citizens have played a critical role across the economy. In many sectors, employers have become highly reliant on their ability to freely recruit EU workers. The end of free movement will therefore signal a major shift in employer recruitment policies. At the same time, the current pandemic has led to rising unemployment and major shocks to several sectors, which already has had an impact on migration patterns. The consequences of the changes to immigration policy are therefore complex and cannot be predicted with certainty. In this chapter, we set out some of the possible implications.

### THE IMPACT ON OVERALL MIGRATION FLOWS

Compared to a scenario where free movement continues, there is likely to be lower levels of immigration from EU countries under the new immigration system. Restrictions on freedom of movement will make it harder for EU citizens to live and work in the UK and harder for employers to recruit them. According to IPPR analysis modelling the implications of the government's points-based system, around 63 per cent of EU-born workers currently living in the UK (excluding the self-employed) would not be eligible for the skilled worker route. While EU citizens currently living in the UK will in principle have their rights protected under the EU Settlement Scheme, this indicates that in future the majority of EU migrants who would otherwise have come to the UK under EU free movement rules will now not qualify for the points-based system. Under normal circumstances, we would therefore expect a significant fall in net EU migration.

However, these are not normal circumstances and net EU migration to the UK may already be negative, even before any new policies have been put in place. This is for two main reasons. First, net EU migration fell significantly after the EU referendum, possibly as a result of the fall in the value of the pound and the uncertainty among EU citizens resulting from the majority vote for leave. Second, the pandemic has potentially led to a further fall in net EU migration due to the impacts of the lockdowns and travel restrictions. While there is no data from the International Passenger Survey – because it was suspended as a result of the first lockdown – the Labour Force Survey suggests that the number of EU migrants in the UK fell significantly between the first and second quarter of 2020.<sup>5</sup> Therefore, the fact that there has already been a significant fall in net EU migration means that the impact of ending freedom of movement could be relatively muted.

With respect to non-EU citizens, the points-based system should in principle lead to an increase in immigration, because it will reduce the skills and salary thresholds that currently exist under the tier 2 (general) visa. However, the short-term impact is likely to be modest, given that the overall framework for controlling non-EU migration will remain in place and those occupations defined as 'low-skilled' will still be ineligible for a skilled worker visa. Moreover, the overall impact is likely

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<sup>5</sup> Analysts have noted, however, that the lockdowns have affected Labour Force Survey data collection, so the figures here may not be reliably comparable (ONS 2020c).

to be small in comparison to the wider consequences of the pandemic and the prospect of future lockdowns and travel restrictions.

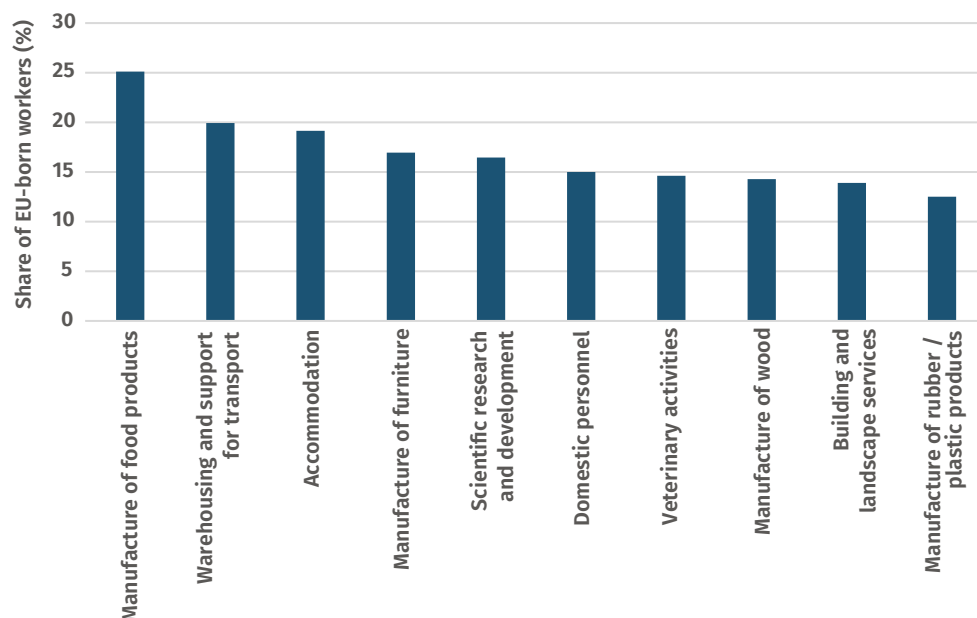
### THE IMPACT ON DIFFERENT ECONOMIC SECTORS

While it is not clear whether there will be a major change in overall migration flows as a result of the new points-based system, there are likely to be significant implications for specific sectors.

Certain sectors of the UK economy are currently highly reliant on EU workers (see figure 4.1). In food manufacturing, EU-born migrants make up around a quarter of the workforce, while in both accommodation and warehousing and support for transport EU-born migrants make up around a fifth.

**FIGURE 4.1: FOOD MANUFACTURING, WAREHOUSING AND SUPPORT FOR TRANSPORT, AND ACCOMMODATION HAVE THE HIGHEST SHARE OF EU WORKERS IN THE UK**

Top 10 sectors with largest share of EU-born workers (%)



Note: sectors with fewer than 10,000 workers have been excluded due to small sample sizes.

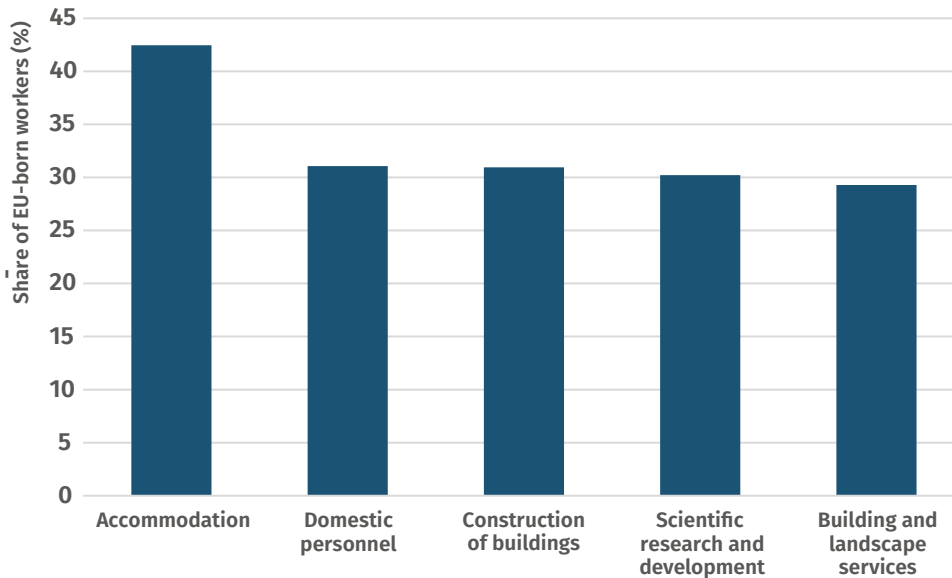
Source: IPPR analysis of Labour Force Survey 2019 (quarters 1-4)

For some sectors, there are particular regional concentrations of EU workers – for instance, in London, around 30 per cent of workers in building construction are EU-born compared to around 10 per cent nationally (see figure 4.2 and Dromey et al 2017).

There are also sectors – again, including construction – with a high proportion of self-employed workers. Given the new points-based system will not have a straightforward route for the self-employed – since the main work route will require employer sponsorship – these sectors are particularly exposed to the changes in immigration rules (though in future the government plans to introduce a route for highly skilled workers to come to the UK without a job offer). In the construction sector, more than half of EU workers are self-employed rather than employees (ibid).

**FIGURE 4.2: ACCOMMODATION, DOMESTIC PERSONNEL, AND CONSTRUCTION OF BUILDINGS HAVE THE HIGHEST SHARE OF EU WORKERS IN LONDON**

Top 10 sectors in London with largest share of EU-born workers



Note: sectors with fewer than 10,000 workers have been excluded due to small sample sizes.

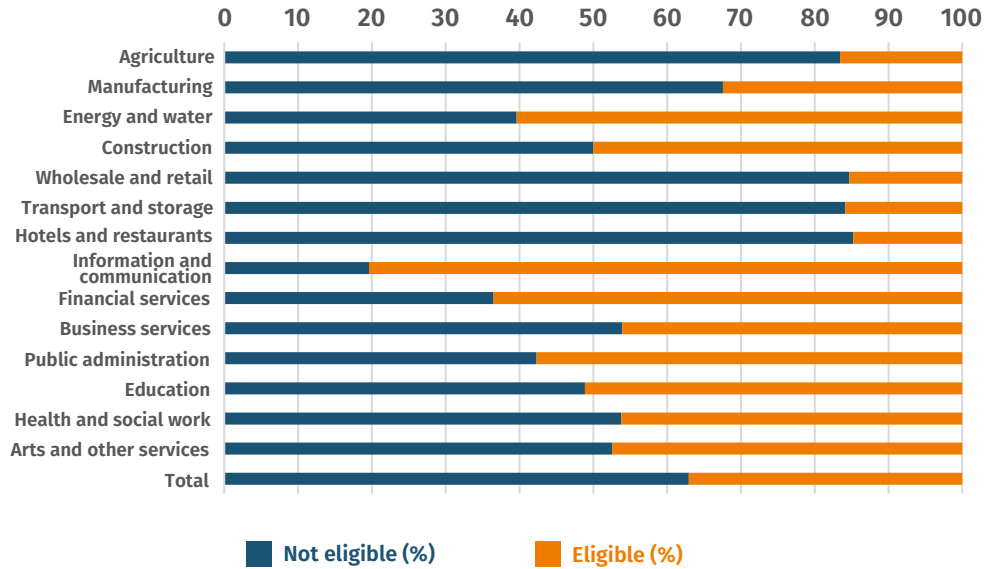
Source: IPPR analysis of Labour Force Survey 2019 (quarters 1-4)

The new points-based system will make it significantly harder for some sectors to recruit EU citizens. We have assessed the impacts for different parts of the economy by estimating the number of EU employees living in the UK by sector who would be ineligible for the new skilled worker route if it applied to them. As above, this analysis intends to estimate the impacts of the new points-based system on future immigration; EU citizens currently living in the UK will in principle be protected under the EU settlement scheme.

Our analysis suggests that the vast majority of EU employees in a number of sectors – including wholesale and retail, transport and storage, and hotels and restaurants – would be ineligible for a skilled worker visa (see figure 4.3). In construction, around half of EU employees would be ineligible, but this does not factor in the large share of self-employed people. Figure 4.3 is therefore likely to significantly underestimate the impact for the construction sector. Furthermore, in health and social care, while our estimates suggest that around half of EU employees would be ineligible for a skilled worker visa, this masks significant differences between healthcare – where most workers would be eligible – and social care – where the vast majority would not.

**FIGURE 4.3: SECTORS SUCH AS WHOLESALE AND RETAIL AND HOTELS AND RESTAURANTS ARE LIKELY TO FIND IT HARDER TO SPONSOR WORKERS FOR THE SKILLED WORKER ROUTE**

Share of EU employees ineligible for the skilled worker route by sector (based on modelling skills and salary thresholds)



Source: IPPR analysis of Labour Force Survey 2019 (quarters 1-4)

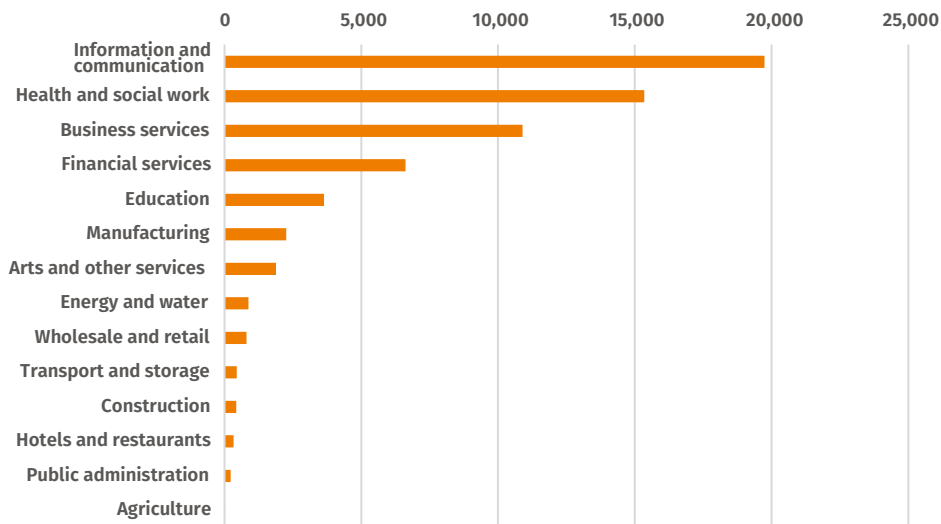
This analysis is supported by Home Office statistics on the current distribution of applications for tier 2 (general) visas by sector (see figure 4.4). While the tier 2 (general) route differs in some ways from the future skilled worker route, they are both based on the same model of employer sponsorship and skills and salary thresholds. Home Office data show that applications for tier 2 (general) visas are concentrated in a small number of sectors – largely healthcare, financial and business services, and information technology. For other sectors – such as manufacturing, retail, and construction – only a handful of visas were applied for over the past year.



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**FIGURE 4.4: THE VAST MAJORITY OF TIER 2 VISAS APPLICATIONS ARE FOR WORKERS IN HEALTH AND SOCIAL WORK, FINANCIAL AND BUSINESS SERVICES, AND INFORMATION AND COMMUNICATION**

**Number of tier 2 (general) visas applications by sector**



Source: IPPR analysis of Home Office 2020d

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This analysis indicates that in many sectors – in particular, manufacturing, transport and storage, hospitality, construction and social care – it will be very difficult for employers to sponsor new arrivals from outside the UK on the skilled worker route from next year. While they may be able to recruit EU and non-EU workers in the UK on other immigration routes (for example, family visas or youth mobility visas, or EU citizens with settled status), in general this will mean there is no straightforward way for recruiting from abroad in these sectors.

Of course, this will matter far more in some sectors than others. As illustrated in figures 4.1 and 4.2, some sectors are currently particularly reliant on EU workers (such as food manufacturing and construction), while others do not recruit so heavily from the EU (such as education). Moreover, some sectors – such as hospitality – are in a period of retrenchment and so will not be in a position to recruit in large numbers, from either within the UK or from overseas. This suggests that the largest immediate impacts could be felt in sectors such as food manufacturing, construction, and social care, which are both reliant on EU citizens and relatively resilient in terms of vacancy levels (ONS 2020d). For these sectors, adjusting their growth and recruitment plans to account for the new restrictions in EU migration could prove particularly challenging.

### **THE IMPACT ON JOBS**

The new points-based immigration system was conceived at a time of a tight labour market – when unemployment was very low – but it will now be introduced at a time of rising unemployment, a spluttering economy, and low numbers of vacancies. Some have argued that, in the context of the recession and current unemployment levels, a restrictive approach to migration policy is necessary to ensure employers prioritise jobs for UK workers. However, this is a simplification which misunderstands the short- and long-term implications of the forthcoming changes.

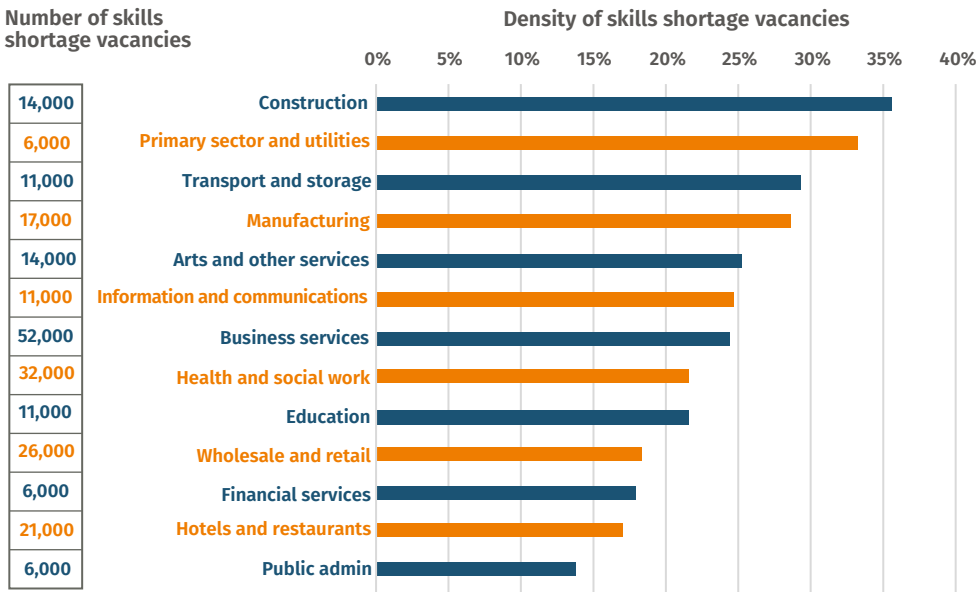
In the short term, the impact of the points-based system will depend on the circumstances of different sectors of the economy and the extent to which migrant workers have skills which ‘substitute’ or ‘complement’ the skills of the domestic workforce. In the coming months, it is likely that some sectors will have few vacancies available and so the impacts of the new points-based system will be relatively limited. In hospitality, for instance, the lockdowns have had severe impacts on businesses and led to a series of closures, particularly in city centres. The new points-based system will therefore have far less impact on the sector in the short-term than would otherwise be expected.

In other sectors, however, where growth is returning, there are likely to be continuing skills shortages. In construction, for instance, the government’s infrastructure and house-building plans are likely to mean continued recruitment drives in the coming months. Many of these jobs require particular skillsets but do not meet the Home Office definition of a ‘medium-skilled’ job – for instance, road and rail construction operatives, cable layers, dry liners, and fork-lift truck drivers. Evidence from the Employer Skills Survey illustrates that the construction sector has long-standing skills shortages, including shortages in machine operative roles – the very roles which would be ineligible for a skilled worker visa (see figure 4.5 and table 4.1) (DfE 2018). While the government’s priority will be to support unemployed UK workers into these jobs, it is likely to take some time to retrain and up-skill workers for them to fill such vacancies.

Moreover, the skills of some EU construction workers could complement the skills of UK workers – that is they could bring different and complementary skillsets to UK workers and so help to increase the demand for the skills of UK workers. To take a hypothetical example, an increase in construction labourers from the EU could increase the demand for construction supervisors, which may be more likely to be recruited domestically (NASEM 2017). In this case, continued EU migration could help to create new jobs for the UK workforce.

**FIGURE 4.5: THE CONSTRUCTION SECTOR HAS THE HIGHEST DENSITY OF SKILLS SHORTAGE VACANCIES**

**Number and density of skills shortage vacancies by sector, 2017**



Source: Employer Skills Survey 2017

**TABLE 4.1: DENSITY OF SKILLS-SHORTAGE VACANCIES BY OCCUPATION WITHIN SECTOR**

	Primary Sector & Utilities	Manufacturing	Construction	Wholesale & Retail	Hotels & restaurants	Transport & Storage	Information & Communications	Financial Services	Business Services	Public admin	Education	Health & social work	Arts & Other Services
Managers	23%	21%	24%	19%	22%	14%	30%	2%	27%	18%	10%	12%	14%
Professionals	36%	38%	41%	23%	***	17%	42%	3%	30%	22%	25%	33%	25%
Associate professionals	32%	24%	26%	25%	20%	13%	26%	35%	25%	14%	18%	15%	21%
Administrative/ clerical staff	13%	19%	17%	13%	12%	13%	16%	10%	23%	6%	8%	7%	8%
Skilled trades occupations	39%	40%	44%	47%	39%	55%	29%	***	52%	28%	30%	14%	34%
Caring, leisure and other services staff	33%	***	***	***	24%	***	***	***	15%	2%	28%	22%	35%
Sales and customer services staff	***	31%	22%	13%	19%	24%	10%	32%	16%	***	***	38%	20%
Machine operatives	47%	25%	34%	19%	9%	38%	***	***	45%	***	***	4%	***
Elementary staff	32%	14%	33%	14%	12%	13%	8%	***	12%	***	11%	11%	26%

Density less than 22%	Density between 22% and 30%	Density between 31% and 40%	Density more than 40%
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Source: Employer Skills Survey 2017

In the short-term, then, the new restrictions on EU migration could inhibit the recovery of the construction sector and limit job creation by preventing the recruitment of EU workers into jobs where no UK workers are available.

There are likely to be similar short-term challenges in other sectors. For instance, in food manufacturing, some skilled occupations are heavily reliant on EU workers, including veterinary surgeons, butchers, and other meat processing role, and businesses have warned about skills shortages after free movement ends (MAC 2018a). While vets and butchers are classified as at least medium-skilled by the Home Office, the new costs and barriers of employer sponsorship are likely to create recruitment barriers for the sector. Given the level of training required for these roles and the importance of the food sector as an essential service during the pandemic, restrictions to migration threaten to both inhibit recruitment in the sector and undermine food security.

Finally, while social care is less reliant on EU workers than some of the other sectors discussed, there are already widespread shortages and recruitment challenges in the sector, despite ongoing efforts to recruit domestically (Independent Age 2016). Restrictions on EU migration are likely to make it harder to fill shortages, adding to the pressures the social care sector is currently facing as a result of the pandemic.

Moreover, in the longer term, the argument that restrictions on migration could help to support unemployed UK workers into jobs is not borne out by theory or evidence. The idea that migrants displace UK workers is a form of the ‘lump of labour’ fallacy – it assumes that there are a fixed number of jobs in the labour market and that migration only has an impact on the supply of workers. In reality, migration can also increase the demand for workers – for instance, by increasing consumer demand for goods and services, or by encouraging businesses to expand production in sectors employing many migrants. Indeed, empirical research has found that in the long run migration has no significant impact on overall unemployment or wages and only a marginal impact on lower-paid or lower-skilled workers (MAC 2018b; Ruhs and Vargas-Silva 2020).

### **THE IMPACT ON PRECARIOUS WORK AND EXPLOITATION**

Migrant workers are at particular risk of precarious work. Our research has previously found that migrant workers are more likely than UK-born workers to be self-employed and to be in temporary work (Morris 2020). The Migration Advisory Committee has found that migrants – and EU migrants from the new member states in particular – are also more likely to be on zero hours contracts and less likely to be members of trade unions (MAC 2018b).

Migrants are more susceptible to labour exploitation due to the insecurity of their status. Data from the National Referral Mechanism (NRM) – the government framework for identifying and referring potential victims of modern slavery – show that more than 90 per cent of individuals referred to the NRM are non-UK nationals (including only those who were potentially exploited as adults) (Home Office 2020e). The most common referral for adults is for labour exploitation, and the number of overall referrals to the NRM has risen more than ten-fold over the past decade (ibid).

Moreover, trade unions have highlighted how the pandemic has exposed poor working practices and exploitation of migrants in several sectors of the economy, most notably in the ‘fast fashion’ sector in Leicester (Owusu 2020). Charities have warned that the economic downturn, combined with the NRPf (No Recourse to Public Funds) condition attached to many visas – which prevent visa holders from accessing most benefits – could force many migrants into more precarious and exploitative work (Migration Exchange 2020; Project 17 2020).

As explained above, the new points-based system will be based on employer sponsorship. Employees on the skilled worker route will be tied to the employers who have sponsored them. A system of tied visas and employer sponsorship heightens the risk of exploitation, because it places an employer in a position of power over their worker’s immigration status. There are, however, ways for employees on the skilled worker route to switch employers without needing to leave the UK (though they will still have to pay application fees and meet the criteria for the route) (Home Office 2020c). This mitigates the risk of exploitation, as it gives migrants the power to leave their employer without forfeiting their right to stay in the UK. The new system also reduces the salary threshold for indefinite leave to remain from £35,800 to £25,600, which will ease the path to settlement and help to limit opportunities for exploitation.

Other immigration routes in the points-based system could involve greater risks of exploitation compared with the skilled worker visa. In particular, the seasonal workers pilot for agricultural workers only allows for a six-month stay and makes it difficult for workers to switch employers, as they require permission from one of the scheme operators. This scheme therefore poses a particular risk of being misused by unscrupulous employers (FLEX 2019).

Perhaps the greatest risk of exploitation is for those workers operating outside the points-based system. Once the UK ends freedom of movement, there is a risk that unscrupulous employers who cannot access or afford the official migration channels recruit migrant workers without authorisation. Tight restrictions on EU migration could therefore lead to a rise in informal working. Outside the official immigration system, migrants in informal work are at greater risk of exploitative practices (ibid).

This is a particular risk given that many of the sectors which could face the largest recruitment challenges under the new system due to their current reliance on EU workers are traditionally more likely to have problems with exploitation and modern slavery. We spoke to several migrant workers for this project who had worked in a range of sectors, including construction, cleaning, and tailoring. While their experiences of working in the UK were mixed and some spoke of positive experiences with employers, others highlighted a number of serious concerns over poor practices, such as unfair deductions, inadequate health and safety measures, and firing and hiring on weaker terms and conditions. One Lithuanian interviewee working in the construction sector described a past experience:

***“One carpentry company I used to work for, they were taking retention money. So if you damaged something on site, they would take that retention money away from you. And I was towards the end of my work, and me and a colleague were doing the stairs and the window seals ... And after a couple of months they took my retention money. And I said, ‘why did you do that?’ He said, ‘Oh, you’ve done the window seals wrong.’ I said, ‘how did I do it wrong, I was doing it how I was told’ ... And they were like, ‘no it’s your fault’. And I think the retention money was £300. Because the managers, they messed it up. So we got our money taken, because they messed up.”***

He said that he and the other Lithuanians he had worked with were not members of trade unions and did not challenge employers when they were treated wrongly because they “were just scared to lose their jobs”.

Our qualitative findings are supported by other research on exploitation and poor labour standards. A survey by Focus on Labour Exploitation (FLEX) of 134 (largely EU) workers in London’s construction sector found that around half had no written contract and a third had experienced verbal or physical abuse at work. FLEX found that the use of complex sub-contracting in the sector means that migrants are particularly vulnerable to poor practices, such as unclear deductions, bogus self-employment, and unsafe conditions (FLEX 2018). There is a risk that shortages in the construction sector – and other similar sectors – could exacerbate these challenges once the new immigration system is introduced.

In this chapter, we have identified some of the potential implications of the government’s new points-based system. While the overall impact on migration flows may not be as stark as originally expected, given the recent fall in EU migration since the referendum and the onset of the pandemic, there is likely to be significant effects for particular sectors. In sectors such as construction and food processing – which are currently highly reliant on EU workers – the new changes could make it harder for employers to fill skills shortages. It could also lead to a rise in poor working practices and exploitation, as a result of unscrupulous employers responding to the new restrictions by filling vacancies through informal means. These impacts are likely to vary considerably by sector – with, for instance, sectors such as hospitality unlikely to face such recruitment challenges given their economic position and overall high unemployment. But there are likely to be key pressure points in sectors critical to the coronavirus response and the economic recovery, such as construction, manufacturing, and social care.

# 5. RECOMMENDATIONS FOR THE NEW IMMIGRATION SYSTEM

The new immigration system will be introduced at a period of exceptional economic and social turbulence. While there are challenges in implementing the new system, there are also opportunities for designing it to help strengthen the economic recovery. In this chapter, we set out how the government's proposals can be adapted to address the UK's economic challenges, through creating jobs, improving working conditions, and tackling inequalities and exploitation.

## RECOMMENDATIONS FOR SUPPORTING THE ECONOMIC RECOVERY AND CREATING JOBS

As it stands, the immigration system could inhibit recruitment in several key sectors which are critical to the economic recovery and the government's future plans, including construction and food processing. The new proposals could also affect the government's public health response itself – most notably in the case of the impacts on the social care sector, which has played a critical role over the course of the pandemic. The primary reason for these challenges is that the new system makes it difficult for employers to recruit non-UK workers into jobs defined by the Home Office as 'low-skilled'. Many occupations that are typically considered to require bespoke and technical skills – such as dryliners or social care workers – are nevertheless not eligible for sponsorship for a skilled worker visa under the Home Office rules.

### *Recommendation 1: Expand the shortage occupation list to allow for the inclusion of occupations at all skill levels*

To respond to this challenge, we propose some key reforms to the shortage occupation list. Currently, the list – which allows occupations to be sponsored at the lower general salary threshold of £20,480 – is determined on the basis of whether jobs are at least medium-skilled (ie at RQF level 3 or above), whether they are in shortage, and whether it would be sensible to fill such shortages with overseas labour.

We propose two substantive changes. First, we propose opening up the list to allow for the potential inclusion of occupations of all skill levels and at the same time exempting applicants sponsored for a job on the shortage occupation list from the skills requirement in the points-based system. Second, we propose redefining the shortage occupation list as a 'priority occupation list'. As well as including occupations that are in shortage, this new priority list will also include occupations which are critical for the government's social or economic policy.

These two changes will allow jobs listed as 'low-skilled' according to the Home Office to be eligible for the skilled worker route. For instance, if road construction operatives are considered to be in shortage or important for the government's economic policy, then they could be designated as a priority occupation and therefore eligible for sponsorship for the skilled worker route. Similarly, if care

workers are considered to be in shortage or important for the government's social policy, then they could be designated as a priority occupation and be eligible for skilled worker sponsorship. The decision as to which occupations are included on the priority list would be made by the independent Migration Advisory Committee (MAC), as they are now; but the broader scope of the priority list would enable the committee to include a greater range of occupations. This would make the immigration system more responsive to economic challenges and more in line with overall government strategy.

Alongside this, we also propose that the government develop a more joined-up and strategic approach to immigration and skills policy. The government should convene a cross-departmental working group on immigration and skills, involving officials and experts from the Home Office, the MAC, the Treasury, the Department for Education, the Department for Business, Energy and Industrial Strategy, and the Department for Work and Pensions. The working group should be designed to develop a coordinated strategy for immigration and skills. For instance, the working group could commission regular research with employers and further education colleges to help improve the MAC's assessment of skills shortages. At the same time, the working group could develop an annual cross-government action plan to address the shortages identified by the MAC through targeted skills and training interventions. This could help provide the government with longer term projections for when shortages are expected to be addressed and when the priority occupation list can be revised.

### **Recommendation 2: Scrap the general salary threshold**

However, it is not only the skills requirements in the new points-based system that could hold back the economic recovery and the government's response to Covid-19. The general salary threshold – which under most circumstances requires applicants to be sponsored for jobs earning at least £25,600 – will make it harder for some employers to recruit overseas workers with the relevant skills once free movement ends.

This is because some medium-skilled occupations have salary levels significantly below the general salary threshold. For instance, senior care workers are classified as a medium-skilled occupation under the current proposals and so would be eligible for sponsorship for a skilled worker visa. Yet the general salary threshold of £25,600 is above the 75th percentile of the full-time earnings distribution of senior care workers – ie more than three quarters of full-time senior care workers are paid below £25,600 (MAC 2020b). As the MAC has argued, the wages of care workers are far too low, and the government must find a sustainable funding settlement for the sector. But until wages in the sector are addressed, the general salary threshold is likely to contribute to skills shortages in social care.<sup>6</sup>

Given their importance to the Coronavirus response, the MAC has recommended that senior care workers be categorised as a shortage occupation, which would mean they are subject to the lower salary threshold of £20,480 (MAC 2020b). The MAC has also proposed other additions to the shortage occupation list as a result of Covid-19, such as houseparents and residential wardens. For the time being, however, the government has not accepted any of the MAC's additions to the shortage occupation list (Home Office 2020f). This risks undermining an effective response to the Covid-19 pandemic.

As we explained in chapter 3, alongside the general salary threshold there are occupation-specific thresholds based on the 'going rate' for each occupation. These thresholds are important to prevent undercutting and wage discrimination

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<sup>6</sup> Other eligible occupations where the general salary threshold is above the 75th percentile of their full-time earnings distribution include butchers, veterinary nurses, and teaching assistants (MAC 2020b).

for migrant workers. But the general salary threshold takes a ‘one-size fits all’ approach which lacks sufficient flexibility. We therefore think it is simpler and more effective to remove the general salary threshold completely and rely simply on occupational specific thresholds. This would allow for greater flexibility in the system while safeguarding against undercutting and under-payment. (It would also be unlikely to make a significant difference to overall migration flows, given that changing the salary threshold alone does not have a large impact on eligibility rates for the skilled worker route.)

Together, these proposals aim to help spur the economic recovery by supporting key sectors of the UK economy to grow, creating new jobs in the process. At the same time, they would protect against a race to the bottom on wages by maintaining occupation-specific salary thresholds to prevent undercutting. Moreover, rather than simply defining the contribution of migrants by the salary or qualifications associated with their job, our proposed reforms would capture a more nuanced and expansive understanding of contribution – recognising, for instance, the vital role of social care workers in responding to the coronavirus pandemic, despite their low pay and their classification by the Home Office as ‘low-skilled’.

### **RECOMMENDATIONS FOR IMPROVING WORKING CONDITIONS**

The new points-based immigration system can play an important role in improving labour conditions and fostering ‘good work’ across the labour market. Given the importance of recruiting from overseas for employers, the Home Office’s sponsorship and visa process can help to encourage businesses to adopt more responsible recruitment and employment practices. The points-based system could therefore be tailored to help incentivise more positive working conditions in sectors particularly reliant on non-UK workers.

#### ***Recommendation 3: Require employers to pay the real living wage to all their employees to gain a sponsorship licence***

The current immigration system places several conditions on employers intending to sponsor migrant workers to come to the UK on work visas. To obtain a tier 2 (general) sponsor licence, employers must provide evidence that they are a genuine organisation operating lawfully in the UK, that they are honest, dependable and reliable, and that they can offer employment at the relevant salary and skills thresholds. Employers must also show that they can meet their sponsor duties, which aim to prevent abuse and ensure compliance with immigration rules (including through record-keeping, reporting, and cooperation with the Home Office) (Home Office 2020g).

These conditions are intended to encourage immigration compliance among employers. However, additional conditions could be attached to sponsorship licences to encourage employers to adopt more responsible employment practices. By attaching new requirements to sponsorship, employers willing to recruit migrant workers would be incentivised to improve working conditions for all their workforce, including both migrant and UK workers. For instance, employers could be asked to demonstrate that they pay at least the real living wage to all their workers before acquiring a sponsor licence.<sup>7</sup> While this measure would not generally have an impact on the sponsored workers themselves – given that for the most part they are already subject to higher salary thresholds under the proposed system – it would mean that employers would need to ensure that all members of their workforce were earning at least the real living wage before recruiting via the new points-based system.

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7 This is currently £9.30 outside of London and £10.75 in London.



Alongside this, employers could also be required to make additional commitments as part of their sponsorship duties. For instance, employers could commit to 'fair work' principles as a condition of employer sponsorship. This could involve commitments on engaging in collective bargaining, investment in skills and training, and supporting the integration of migrant workers through measures such as English language tuition.

Our migrant interviewees supported the idea of requiring employers to pay the living wage as part of their sponsor licence. One interviewee noted that it would make migrant workers more secure in their jobs. Another said that this would improve migrant workers' living conditions, highlighting how some farm workers they knew could only afford to live in overcrowded caravans. A third interviewee thought that it would be important as a means of preventing employers from taking advantage of new migrant workers.

#### ***Recommendation 4: Grant additional points for applications to more responsible employers under the points-based system***

As highlighted in chapter 2 a key advantage of the points-based system is its flexible design. This means that, where blanket requirements for employers may be inappropriate, the points-based system could be used to incentivise better working practices by scoring additional points for more responsible employers.

One way this could be designed is through creating a 'good work' standard for employers, building on the mayor of London's good work standard (Mayor of London 2019). The good work standard would be based on objectively verifiable criteria which aim to measure responsible employment – for instance:

- whether the employer meets the 'living hours' standard – ie whether it provides the right to a contract that reflect hours worked, a guaranteed minimum of 16 hours per week (unless the employee request otherwise) and four weeks' notice period for shifts (see LWF 2019)
- whether the employer recognises a trade union
- whether the employer offers above the statutory paid leave and benefits
- whether the employer meets the public sector apprenticeship target of employing at least 2.3 per cent of their staff as new apprenticeship starts.

Applicants sponsored by employers who meet the 'good work' standard would then be eligible for additional points under the points-based system.

This could be implemented by, for instance, introducing a new section in the points-based system for 'employer points'. Applicants would need to score a total of 80 points, including 10 employer points alongside the 70 points they have to score under the current proposals. They could score these additional points if their sponsoring employer either pays the immigration skills charge or meets the good work standard. This would provide an immigration route for employers who may struggle to pay the immigration skills charge, while also incentivising employers to meet the good work standard to make it easier for them to recruit overseas workers. (See table 5.1 for how this system could be implemented in relation to the current proposals.)

**TABLE 5.1: MODIFICATION OF THE NEW SKILLED WORKER ROUTE UNDER THE POINTS-BASED IMMIGRATION SYSTEM FACTORING IN EMPLOYER POINTS**

Skilled worker eligibility
<p>Applicants need 80 points, including...</p> <p><b>50 non-tradeable points, including:</b></p> <ul style="list-style-type: none"> <li>• 20 points for employer sponsorship</li> <li>• 20 points for job at an appropriate skill level</li> <li>• 10 points for intermediate English language skills</li> </ul> <p><b>20 tradeable points, including one option from List 1 and one option (or none) from List 2:</b></p> <p><b>List 1 (Salary)</b></p> <ul style="list-style-type: none"> <li>• 0 points for salary of at least £20,480 and at least 80% of going rate for the profession (70% for new entrants)</li> <li>• 10 points for salary of at least £23,040 and at least 90% of going rate for the profession</li> <li>• 20 points for salary of at least £25,600 and at least the going rate for the profession</li> <li>• 20 points for salary of at least £20,480 and a listed health/education job which meets national pay scales</li> </ul> <p><b>List 2 (Other)</b></p> <ul style="list-style-type: none"> <li>• 10 points for PhD in subject relevant for job</li> <li>• 20 points for PhD in STEM subject relevant for job</li> <li>• 20 points for job on shortage occupation list</li> <li>• 20 points for 'new entrant' to labour market</li> </ul> <p><b>10 employer points, including one option from the following list:</b></p> <ul style="list-style-type: none"> <li>• 10 points for job sponsored by employer who pays Immigration Skills Charge</li> <li>• 10 points for job sponsored by 'good work' employer</li> </ul>

Source: IPPR analysis

## RECOMMENDATIONS FOR TACKLING INEQUALITY AND EXPLOITATION

As we highlighted in chapter 4, there is a risk that the new points-based immigration system could increase the risks of labour exploitation for migrant workers and exacerbate inequalities between UK and migrant workers. Our recommendations for reforming the immigration system to support the economic recovery could help to address some of these risks, by easing the pressure on sectors highly dependent on EU workers and so discouraging some unscrupulous employers from relying on informal work in response to labour shortages. However, there are still substantial risks associated with the new policy, as well as long-standing challenges for migrant workers that have worsened as a result of the coronavirus crisis. The new points-based system can be designed to minimise these risks and help to tackle the exploitation of migrant workers.

### **Recommendation 5: Require sponsors to inform migrant workers of their employment rights**

One of the key barriers to tackling labour exploitation is a lack of awareness among workers about their employment rights (Citizens Advice 2017). Migrant workers are often at greater risk of not being aware of their rights because they may have only recently arrived in the UK and may face language barriers (FRA 2019). The Home Office should therefore focus on improving migrant workers' access to information on employment rights as a critical strategy for tackling labour exploitation and poor working practices.

We suggest that this could be achieved by attaching additional conditions to sponsoring employers. In future, all skilled worker sponsors (as well as other employer sponsors, such as tier 5 sponsors) could be required to inform any new migrants they sponsor of their employment rights. This should include a list of statutory rights and information about how to join a trade union and the benefits a union offers. As part of their sponsor duties, employers could also be expected to provide information to all staff on their employment rights, including migrant workers who are not sponsored under the skilled worker route. This would help to expand information for migrants who more at risk of exploitation, given the skilled worker route is heavily monitored and so generally less likely to be subject to labour abuses in comparison to other migration routes.

To ensure that information about their rights is clearly explained to workers, the government should consult with unions to develop a template information document for employers to use. The document should be translated into multiple languages to avoid language barriers preventing workers from understanding their rights. In addition, employers should be required to document that they organise regular information sessions with new employees, including sponsored workers, to explain the information document and answer any questions about their rights at work. These information sessions could be facilitated by unions or migrant community organisations.

Evidence on modern slavery suggests that much labour exploitation takes place in complex supply chains with multiple sub-contractors (FLEX 2017). This means that targeting skilled worker sponsors is likely to miss many unscrupulous employers operating lower down in the supply chain. We therefore also recommend that as part of their sponsor duties employers should commit to monitoring, identifying, and managing the risk of labour exploitation along their supply chains. This should include a commitment to joint and several liability for the payment of wages, so that they are responsible for payment where wages go unpaid by a contractor or subcontractor. The Home Office could monitor employer compliance with this sponsor duty through regular record-keeping and reporting requirements. This would bolster the provisions in the Modern Slavery Act, which require large businesses to publish an annual transparency statement on how they are preventing modern slavery in their supply chains, and extend them to more employers.

There was strong support for providing more information to migrant employees in our interviews. One interviewee, agreeing with the proposal, said that more information should be provided to workers "in case there are any challenges or misunderstandings or their employers are not trustworthy people". Another emphasised that "more information about unions would be good", in order to support people facing challenges who would be scared of acting alone.

### ***Recommendation 6: Expand the funding and focus of labour inspectorates***

The UK's current system of labour market enforcement is one of the weakest in Europe. In 2016, the number of labour inspectors per 10,000 workers was 0.4, significantly lower than comparable European countries and below the International Labour Organisation (ILO) recommendation of 1 in 10,000 (FLEX 2017). Enforcement is fragmented across several different bodies, including the Gangmasters and Labour Abuse Authority (GLAA), the Health and Safety Executive, the Employment Agency Standards Inspectorate, and the HMRC National Minimum Wage enforcement unit. Moreover, given the potential rise in informal working, the end of free movement and the introduction of the new points-based system are likely to place new pressures on labour inspectors in the coming years.

The government is soon to introduce a new single enforcement body, replacing the current fragmented system of labour inspectorates. This will help to strengthen labour market enforcement in the UK. But in order for the reforms to be effective, the new body must be properly resourced in line with ILO recommendations. Originally the GLAA (formerly the Gangmasters Licensing Authority or GLA) focused on the sectors of agriculture, horticulture, food processing, and shellfish gathering. While its remit has now expanded to the whole of the labour market, its resourcing does not yet match this ambition and its licensing scheme is still limited to its original areas of focus. In order to effectively respond to labour abuses, the new body should expand the GLAA's licensing scheme into other key at-risk sectors, such as construction, hospitality, cleaning, and social care.

There was broad support among our migrant interviewees for expanding investment in labour inspectorates. One interviewee argued that the government would benefit from a more robust system by increasing its tax revenue and argued that there should be "strict compliance" with labour rules to effectively tackle exploitation. Another argued similarly that "the government is also losing money if [employers] are exploiting their workers".

Finally, we recommend that the Home Office and the Director of Labour Market Enforcement work together on developing policy strategies, in order to ensure both that knowledge on labour exploitation is helping to inform immigration policy choices and that efforts to tackle labour abuse are responsive to future changes to the immigration system. At the same time, there should also be an agreement between the Home Office and labour enforcement officials on how to prevent the sharing of personal information between inspectorates and immigration enforcement; given the evidence that people with insecure immigration status are deterred from reporting labour abuse due to fears of facing enforcement action from the Home Office (FLEX 2020). Engagement between the Home Office and the new single enforcement body will be important to design effective policy interventions, but it should not involve data-sharing or collaboration on individual enforcement operations.

Our proposals aim to shape the government's points-based immigration system to support the economic recovery, improve working conditions, and tackle inequalities and exploitation. Our approach represents a balance of recommendations aimed at supporting job creation and business growth while also improving employment standards and working conditions. We propose greater flexibility for employers to hire workers from a range of occupations and salaries – recognising that the value of a job cannot simply be represented by its designated skill level or typical earnings. These recommendations aim to support the recovery of the sectors most affected by the pandemic and to help create jobs by facilitating recruitment of workers with skills complementary to those of the domestic workforce. At the same time, we propose an ambitious set of policies to incentivise employers to improve their working practices and tackle exploitation throughout their supply chain. Employers who use the sponsorship system should be expected to uphold high employment and recruitment standards. If designed correctly, the new immigration system can therefore be a powerful tool to improve the rights of both UK and migrant workers.

## 6. CONCLUSION

The prospects for future immigration to the UK have rarely been so uncertain. The coronavirus pandemic has already reshaped travel and migration patterns globally and appears to have led to a fall in net migration to the UK. The labour market is in an unpredictable state as the pandemic continues to impact on numerous sectors. And the UK is shortly to leave the EU single market, introducing a new immigration regime for both EU and non-EU citizens.

In this report, we have assessed the potential implications of the government's new points-based system. All things being equal, it would be expected to lead to a reduction in the immigration of EU citizens and a (potentially smaller) increase in the immigration of non-EU citizens. Yet given the ongoing economic, social, and health challenges, it is not possible to make any robust predictions. What is clear is that some sectors that are highly reliant on EU migrants – notably, food manufacturing, construction, and logistics – could face serious difficulties adjusting to the new restrictions on free movement. There are concerns that these restrictions could inhibit recruitment in critical sectors of the economy, and also exacerbate the risks of informal working and exploitation by unscrupulous employers.

We therefore recognise that there are both risks and opportunities in the new points-based immigration system. On the one hand, new restrictions could forestall economic growth and expose some migrant workers to more vulnerable employment conditions. On the other hand, the new system is an opportunity to reset immigration policy and improve the design of the work visa system.

The recommendations in this report aim to both tackle the risks of the new system and make the most of the opportunities. We propose scrapping the general salary threshold and expanding the shortage occupation list to allow for the possible inclusion of jobs at all skill levels. This will help to ease the transition for employers, support the economic recovery, and address shortages in key services such as social care. Alongside these reforms, we also propose expanding sponsor duties so that employers who are sponsoring migrant workers are required to pay the real living wage to all their staff, commit to 'fair work' principles, inform migrant workers of their employment rights, and take active steps to prevent exploitation throughout their supply chain.

This balanced set of recommendations aims to support growth at an exceptionally precarious time for the UK economy, while also urging employers to improve standards and working conditions. In other words, our recommendations intend to help the UK to 'build back better' from the coronavirus pandemic.

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# ANNEX A: GLOSSARY

**Certificate of sponsorship (CoS):** an electronic record which must be assigned by an employer to each migrant they sponsor.

**Director of labour market enforcement (DLME):** a government-appointed role aiming to improve compliance with employment rights and set priorities for the three main labour enforcement bodies. The DLME publishes an annual labour market enforcement strategy setting out the scale and nature of non-compliance with employment rights and making proposals for effective labour market enforcement.

**Gangmasters and Labour Abuse Authority (GLAA):** a labour inspectorate which investigates worker exploitation and related illegal activities, and which operates a licensing scheme in the agriculture, horticulture, shellfish gathering, and associated processing and packaging industries.

**Immigration skills charge:** a charge for employers sponsoring migrant workers under the tier 2 (general), tier 2 (intra-company transfer) or skilled worker routes (£1,000 per person per year for medium or large sponsors and £364 per person per year for small or charitable sponsors).

**Migration Advisory Committee (MAC):** an independent, non-departmental public body sponsored by the Home Office which advises the government on immigration policy.

**National Referral Framework (NRM):** a government framework for identifying and referring potential victims of modern slavery and helping them to receive support.

**Points-based system (PBS):** a selective system for immigration control, which assigns points to applicants based on different criteria and which selects applicants based on their point scores. Criteria are generally 'tradeable' – that is, there is more than one way of scoring enough points. Typically, it is associated with a system which is largely based on individuals' personal characteristics and does not require a job offer for admittance, in contrast with employer-led systems. However, this is not an essential element of a points-based system.

**Shortage occupation list (SOL):** a list of occupations which the government, on the advice of the Migration Advisory Committee, determines currently face labour shortages and which would be sensible to fill with migrant workers. Applicants who are sponsored for jobs on the SOL receive special benefits which make it easier to be admitted to the UK.

**Skilled worker route:** the main route for skilled workers to enter the UK for work purposes under the UK's new points-based immigration system.

**Tier 2 (general) route:** the main route for skilled workers to enter the UK for work purposes under the UK's current immigration system.

## ANNEX B: METHODOLOGY

This report is based on a mix of desk-based research, quantitative analysis, and interviews with people with lived experience.

Our quantitative analysis primarily uses the ONS Labour Force Survey, unless otherwise specified. We have aggregated quarters 1–4 of the 2019 Labour Force Survey, which we have accessed via the UK Data Service. The analysis uses the country of birth variable to define EU migrants in line with other studies. We have included Irish-born migrants in our analysis, but we have also run the same analysis with Irish-born migrants excluded and found no significant differences in the results.

For our modelling of the impacts of the new points-based system, we have devised a simplified version of the eligibility criteria for the skilled worker route. EU-born migrants are categorised as eligible under our version of the skilled worker route if they meet the relevant skills and salary threshold. Only employees are included in the analysis (because we do not have data on income for the self-employed). Skill level is defined on the basis of SOC code. Salaries are defined on the basis of annualised gross weekly pay. Migrants are categorised as eligible for the skilled worker route if their occupation meets RQF level 3, according to the Codes of Practice for Skilled Work, and if their earnings from their main job are above the salary threshold of £25,600. We vary the salary threshold depending on whether individuals are PhD holders, aged under 26, employed in jobs on the shortage occupation list, or employed in listed health/education jobs. We do not take into account occupation-specific salary thresholds or 'going rates' in our analysis.

For our qualitative research, we have interviewed five migrant workers based in London about their experiences of working in the UK, their perspectives on Brexit and coronavirus, and their views on some of the policy proposals in the report. Interviews were conducted over the phone and lasted approximately one hour each. Interviewees worked in a range of different sectors, including construction, tailoring, catering, and domestic work.



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