

MIGRATION ADVISORY COMMITTEE CALL FOR EVIDENCE
SALARY THRESHOLD AND POINTS-BASED SYSTEM
CONSULTATION RESPONSE

Response from: #FullStrength coalition, supported by Association of Labour Providers, British Retail Consortium, The Coalition for a Digital Economy (Coadec), Confederation of Passenger Transport UK (CPT), Federation of Master Builders, Innovate Finance, London First, the North West Business Leadership Team (NWBLT), Recruitment & Employment Confederation (REC), Tech London Advocates, techUK, UKHospitality, UKinbound and Universities UK.

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About #FullStrength:

The #FullStrength campaign is a broad coalition of 14 trade, business and education bodies calling for a fair and managed immigration system to keep the UK open to workers the economy needs and rebuild public trust in immigration.

Summary position:

We believe the £30,000 salary threshold is too high and must be lowered to around £20,000, bringing it in line with the proposed skills threshold and what employers need.

The UK has one of the most competitive labour forces in the world and this has underpinned our reputation as one of the best places in the world to do business. Foreign-born workers make a huge contribution to the UK's economic growth and are an important part of the workforce going forward, filling many labour and skills gaps that exist in all sectors and regions.

Our research shows that 63%¹ of all jobs in the UK are paid below £30,000, and many of these jobs are held by EEA workers. The Greater London Authority estimates that 148,000 jobs in the capital pay below £30,000 and are held by EEA workers.

With many employers already struggling to fill vacancies, a £30,000 salary threshold does not reflect labour market realities and **risks leaving our economy, and vital public services, short-staffed.**

The Government's own evidence says a £30,000 threshold could contribute to a 0.9% reduction in UK GDP, which is a fiscal cost of up to £4bn and 400,000 fewer EEA migrants by 2025.

There is some alignment between the White Paper and the aim of an Australian points-based system (PBS): skills and salary thresholds are part of the categories in a points-based system and used in the same way as mechanisms to limit immigration to the higher skilled and higher paid. The UK previously had a system closer to the Australian system, introduced

¹ ONS data on salary distribution per region & sector, January 2019

in 2008, but the Coalition Government replaced it with a “checkbox” system. We believe the single, skills-led system outlined in the White Paper would be simpler and more efficient to operate and apply than reverting back to a pure PBS approach. However, there is merit in exploring whether a PBS could be applied to settlement applications similar to the model in Australia for permanent residency.

Furthermore, we believe a system based on regional variations, for example in salary thresholds, would create extra burdens for employers as well as governments who will have to manage and enforce the added complexity. Therefore, a national system should be maintained.

Evidence:

Our coalition includes Association of Labour Providers, British Retail Consortium, The Coalition for a Digital Economy (Coadec), Confederation of Passenger Transport UK (CPT), Federation of Master Builders, Innovate Finance, London First, the North West Business Leadership Team (NWBLT), Recruitment & Employment Confederation (REC), Tech London Advocates, techUK, UKHospitality, UKInbound and Universities UK, collectively representing tens of thousands of businesses and employing millions of workers across all sectors and regions of the UK.

Together we have campaigned for the salary threshold to be lowered to around £20,000 for the following reasons:

- 1) The Government’s White Paper proposed a lowering of the skills threshold to RQF 3 – which businesses in the UK have welcomed. This was designed to be one of the measures that would aid the transition from Freedom of Movement for EEA citizens to a system where all foreign workers have to engage and pass through the immigration system. Lowering the skills threshold reflects the labour market reality for most EEA workers, as roughly 75% work in jobs that are qualified RQF 5 and lower. The Government has recognised the concerns of employers around a salary threshold of £30,000, and we welcome the opportunity to provide more evidence and arguments on this specific immigration tool.
- 2) Lowering the skills threshold, but not lowering the corresponding salary threshold reduces the positive and transitional impact of the former proposal. About 30%² of EEA workers in the UK who are at an RQF 3 or above do not earn £30,000 or more.

This is obviously a snapshot of the current labour market and employers hope they are able to retain current EEA workers. But it is also a very good indicator how the immigration system and especially Tier 2 has worked to date and which parts of the labour market have not been serviced by this route but will have additional labour demands in the future.

We believe that it would make sense to bring skills and salary threshold in line. The MAC has previously used the 25th earning percentile of the skills requirement to calculate a salary threshold for the Tier 2 route. Applying this method to the newly proposed RQF 3 skills threshold would result in a salary threshold of around £20,000.

² [GLA Economics, Current Issues Note 58](#), Table 2, about 30% equals estimated 688,800 jobs held by EEA workers below £30k

Lowering the salary threshold in the new immigration system for Tier 2 means that employers won't face a cliff edge in recruiting the workers they need and allows them to adjust to the end of Freedom of Movement. The salary threshold could rise over time to reflect changing labour market realities and supply and demand of foreign workers.

- 3) Many jobs across all sectors are paid below £30,000. These jobs are important to business and the UK economy. Data from the ONS on jobs across the UK and all sectors shows that certain industries, many of which employ a great percentage of EEA workers, would suffer in a new system with a £30,000 salary threshold.
- 4) The table below shows all jobs by sector paid below £30,000 (and £20,000). 63.4% of all jobs which have been held for more than a year in the UK are paid below the current salary threshold.

The following sectors are listed by size of labour market share:

	Total jobs paid under £30k	Total jobs paid under £20k
All UK jobs:	63.4%	39.2%
Health & Social Care	73.3%	47.1%
Retail	77.1%	53.9%
Education	64.1%	42%
Manufacturing	53.3%	23.3%
Prof., scientific & technical activities	46.1%	25.3%
Hospitality:	90.7%	74.4%
Construction	49%	22.%

A salary threshold is designed to protect domestic workers, by preventing an oversupply of labour from driving down wages. The data shows that a salary threshold of £20,000 still achieves that goal, given the volume of workers paid less than that rate. In sectors where we already face labour and skills gaps, such as health, social care, tech and construction, a £20,000 salary threshold would allow employers to access more trained foreign workers, critical for maintaining public services, supporting the Government's housebuilding targets, as well as helping to drive our national growth strategy.

- 5) The below ONS table provides an overview of levels of foreign workers in each sector and which sectors are especially reliant on foreign labour supply, for the whole of the UK.

Thousands

Industry sector (SIC2007)	Total	UK Nationals	Non-UK Nationals			
			All Non-UK		EU27	
			Nationals	Non-UK%	Nationals ¹	EU27 %
Health and social work	4,131	3,759	371	9.0	176	4.3
Wholesale, retail, repair of vehicles	4,066	3,688	377	9.3	230	5.7
Education	3,248	3,011	236	7.3	130	4.0
Manufacturing	2,976	2,597	379	12.7	292	9.8
Construction	2,239	2,032	206	9.2	154	6.9
Prof, scientific, technical activities	2,185	1,991	193	8.9	108	4.9
Public admin and defence	1,887	1,812	75	4.0	32	1.7
Accommodation and food services	1,623	1,293	329	20.3	213	13.1
Transport and storage	1,550	1,354	196	12.6	129	8.3
Admin and support services	1,463	1,245	216	14.8	148	10.1
Financial and insurance activities	1,228	1,097	130	10.6	70	5.7
Information and communication	1,208	1,060	148	12.3	67	5.6
Other service activities	866	789	77	8.9	43	5.0
Arts, entertainment and recreation	858	804	54	6.3	33	3.9
Real estate activities	363	341	21	5.9	10	2.9
Agriculture, forestry and fishing	356	333	22	6.3	21	5.8
Water supply, sewerage, waste	216	204	12	5.7	12	5.4
Electricity, gas, air cond supply	184	174	10	5.3	-	
Mining and quarrying	138	123	15	10.8	-	
Households as employers	62	50	12	19.6	10	15.8
Extraterritorial organisations	42	33	-		-	
Total	31,070	27,952	3,112	10	1,905	6.1304

90.0 Population Survey datasets, Jan to Dec 2015

- 6) Recent analysis from the Greater London Authority (GLA) shows which occupations would be most severely hit by the change from Freedom of Movement to a system where all foreign workers have to be paid above a £30,000 salary threshold. The below lists show the jobs that qualify under the skills requirement, but not under the salary requirement and are done to a high degree by EEA citizens, for the UK as a whole and in London.

It should be noted that even with a salary threshold lowered to around £20,000, about 263,800³ jobs held by EEA workers in the UK would meet the skills threshold of RQF 3 but fail to meet this lowered salary threshold. 70,100 of these jobs are held by higher-skilled EEA workers (RQF 6-8). While still excluding valuable workers, we believe that a £20,000 salary threshold could put positive upward pressure on these occupations to increase wage levels across the board for all workers.

[Any more examples from #FullStrength partners would be appreciated].

UK list

Jobs particularly threatened by the £30,000 salary threshold, which are RQF 3 or above⁴:

³ GLA Economics Current Issues Note 58, Table 4

⁴ GLA Economics Current Issues Note 59 – Occupational Analysis

- Transport & logistics managers
- Health & Social Services managers
- Health and care managers
- Other services managers
- Natural and social science professionals
- Conservation & Environment professionals
- Nursing & Midwifery professionals
- Teaching professionals
- Architects & surveyors
- Protective services
- Production managers
- Business & Admin professionals
- Health professionals
- Food preparation & hospitality trades
- Sales assoc. professionals
- Agricultural & related trades
- Construction & building trades
- Hospitality & leisure services managers
- Welfare professionals
- Media professionals
- Business assoc. professionals
- Metal making & fitting trades
- Electrical & electronic trades
- Butchers
- Technicians
- Veterinary Nurses

Appendix B of the GLA Economics Current Issue Note 59 offers details on the 3-digit SOC codes.

LONDON

14%⁵ of jobs in London are held by EEA workers – a far higher proportion than in the rest of the UK, although the rate of growth has been slowing since the 2016 referendum.

62 out of 90 three-digit occupations are highly affected by the White Paper proposals.

37 of these occupations represent skilled jobs (RQF3 or above) which have limited scope to adjust to labour supply shortages or have had a high reliance on EEA workers. In several of these roles the share of jobs held by EEA workers paid below £30,000 a year far exceeds the London average – which means certain sectors like construction, cleaning and childcare services seem particularly exposed to the proposal of keeping the salary threshold at £30,000.

The proportion of EEA workers across sectors and all skills levels is around 12%, although it is higher in sectors representing skilled trades (29%) and plant and

⁵ GLA Economics Current Issues Note 59 – Occupational Analysis

machine operatives (20%). Job categories particularly threatened by the salary threshold proposals are as follows (all jobs RQF 3 and above):

- Media professionals
- Other services managers
- Health & Social services managers
- Nursing & midwifery professionals
- Natural & social science professionals
- IT Technicians
- Public Services & other Assoc. professionals
- Transport & logistics managers
- Teaching & educational professionals
- Health professionals
- Sales assoc. professionals
- Electrical & electronic trades
- Food preparation & hospitality trades

Further examples from other sectors of the coalition needed if not already covered in the above lists

- 7) We believe using salary as a proxy to define skills and social value of an occupation is a blunt instrument. Salary thresholds can lead to the exclusion of crucial lower- and medium-paid roles. However, we accept that they are an important part of the Government's White Paper and have value as a way to communicate political intention – as they provide an easily understandable way to control the inflow of foreign workers. Setting a salary threshold is not an exact science. But it must be at a level that does not block access to workers that employers need and can't recruit locally. We think setting the salary threshold at around £20,000 is a fair rate, ensuring workers in the UK economy aren't undercut.

A salary threshold that is set at £20,000 can also achieve a second political goal: it can put realistic upward pressure on almost 40% of jobs across the UK. Much of the concern about 'low-skilled immigration' was about its allegedly depressive effect on wage levels. Putting the salary threshold at £30,000, a substantial premium to the existing National Living Wage, seeks to address that concern.

- 8) In addition to a minimum salary threshold of £20,000, we support maintaining the current system of occupational salary requirements to ensure that foreign workers are paid the going rate, preventing undercutting of the native workers.
- 9) Setting the salary threshold at around £20,000 supports the immigration system to work as a simplified, single system of entry for the whole country. It also reduces the reliance on a Shortage Occupation List or on regional variations which can add cost and bureaucracy to Government and employers.
- a. The Shortage Occupation List can be a great tool to address both chronic skills shortages in an economy and the needs of growth industries, but it works less well as a tool to fix short-term labour needs. Shortage lists easily get out of step with the realities of the labour market as consultation

processes with industry take some time to consult, assess and update – which means that they will mostly not reflect real time labour market needs. Using them as a long-time strategic approach to shaping the growth strategy of the country is a better use of them.

- b. On regional variations: It is very difficult to identify specific needs or migration trends in practice at the regional level. The added complexity makes it harder and more costly to administer the system and properly enforce.

Australian points-based system

- 10) Firstly, the points test approach does not apply across the entirety of the Australian system, instead it only applies to certain visas under the General Skilled and Business Migration programs. It does not apply to Employer Sponsored programs, where employers choose the right candidate for the job and sponsor the visa.

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

- 11) Secondly, the Australian points-based system represents a rigid sorting system for top-line qualifications and criteria of a migrant worker - but does not necessarily assess a candidate's employability and in-work skills set. Points-based systems that allow potential migrants to self-select are not as responsive to economic and labour market changes as purely employer-led systems. We do think that the employer-sponsored system, where employers choose the right candidate for a job, represents a better and more tailored system to our economy. Previous attempts by the Home Office to introduce a points-based system have been abandoned (Tier 1, 2011) or altered.

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

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

Evidence⁶ shows that Canada and Australia have moved away from a pure points-based system approach and have adapted to incorporate job offers and language fluency requirements. This can lead to better employment rates among immigrants.

- 13) Applying a points-based system approach as originally implemented in Australia and Canada to the UK would add extra bureaucracy – which would have an impact on processing times. Both Australia (8-24 weeks) and Canada (2-28) have substantially longer processing times than the UK currently has (2-16 weeks)⁷.
- 14) Fourthly, points-based systems are useful in attracting interest and in providing an initial test of eligibility for foreign workers but are flawed as a way of managing immigration.

The model of the Australian and Canadian points-based system that is used to process permanent settlement applications holds some merit – here the following criteria are a good indicator of suitability if permanent settlement should be granted to the applicant: work experience, salary, priority occupation, salary and language proficiency.

- 15) Fifthly, in the Australian Points Based System, as well as other points based systems, the temporary route is a central part of their immigration system and widely used. The temporary route as set out in the Government's White Paper is welcome, especially as it is for all skill levels. However, for it to function effectively, there are lessons to be learnt from Australia. The Australian temporary route is longer than the White Paper's proposal and seen as a start of a path for integration for immigrants, who can apply for longer term stay from within the country. Which is why we have been advocating for the temporary route to be extended to 24 months with the possibility for eligible candidates to switch in country to a Tier 2 visa. This would aid progression and integration of workers and would set incentives for employers to create upskilling programmes.

⁶ <https://www.economist.com/international/2016/07/07/whats-the-point>

⁷ London First, Global Britain Dec 2018