



# Estimate of post-Brexit migration levels under the White Paper proposals

Immigration System, Asylum & Policy: MW 461

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## Summary

1. The government has said that one of the objectives of its Immigration White Paper proposals is to reduce annual net migration to 'sustainable levels'. However, these proposals are unlikely to have a significant impact on reducing the level of overall net migration even if the primary Tier 2 (General) salary threshold (for skilled work) is set at £30,000 (for a summary of the calculations, see table 3 below). Even if EU net migration were to fall, this could well be outweighed by an increase in net migration of non-EU nationals resulting from the removal of the Tier 2 work permit cap, the abolition of the resident labour market test and lowering the skills threshold from graduate to "A" level. These changes, taken together, risk potentially exposing between six and nine million full-time jobs held by UK-born workers to new or increased levels of global competition. <sup>1</sup>

## Introduction

2. This paper considers the likely effect on net migration of the policies outlined in the government's White Paper published on 19 December 2018. The White Paper was focused largely on work migration. In assessing its effect, we make the following broad assumptions:

- the number of dependants will change in proportion to the number of workers
- the inflow of EU and non-EU workers will be influenced by the salary threshold applied to the work permit system
- student inflows from the EU will fall by ten percent
- outflows of both EU and non-EU will be in the same proportion to inflows as during the past ten years
- net emigration of UK nationals will remain at its five-year average of 47,000 a year.

3. This paper replaces a previous version which was withdrawn due to an error in calculation. It also takes into account comments on methodological aspects and now bases scenarios for both EU and non-EU migration consistently on ONS IPS and LTIM data (rather than IPS data for EU migration and Home Office visa issuance data for non-EU migration).

4. There are many political and economic uncertainties associated with Brexit that might have an influence on future immigration. Nonetheless, it is worth attempting such calculations. It is surprising that the government have produced a white paper outlining an extensive overhaul of the immigration system and yet have made no effort to estimate its overall potential impact (they consider its impact on EU inflows, but have made no numerical assessment of non-EU inflows). This does the public a grave disservice on a topic of real importance to the future of this country.

5. The matter is especially important when it is remembered that every opening up of the immigration route in the past two decades has led to a large increase in the number of people taking advantage of the new opportunities to enter the UK. For example, the removal of restrictions in 1998 or the expansion of free movement rights to the EU New Member States in 2004 and 2014.

## Future EU inflows

6. The White Paper of December 2018 implies three broad categories of immigration for work post Brexit:

- jobs paying a salary of £30,000 or more but with no cap on numbers and with the qualification level reduced from graduate level to A-level or equivalent.
- jobs requiring A-level or equivalent but at lower salary levels which depend upon various factors such as employer or sectoral needs. There is a lower salary threshold for new labour market entrants.
- any other job regardless of pay or qualifications for workers from “low risk” countries (likely to include the EU) but initially for a period of less than a year (or two years if under the Youth Mobility Scheme).

7. The salary threshold for the second category appears to be still under discussion. The government have simply noted the MAC recommendation of a primary salary threshold for Tier 2 (General) of £30,000 per year<sup>2</sup>. However, there is some reason to believe that the primary threshold will be reduced to below this level. Sajid Javid has said that the £30,000 threshold is, “not set in stone” and, despite the MAC clearly recommending that the primary salary threshold should be retained at that level, the Home Office acknowledge that they, “will be engaging with business on this.” Both Philip Hammond and Greg Clark expect lobbying from employers to exert significant downward pressure on the threshold. One cabinet figure is reported by the Guardian to have said that the eventual threshold is, “likely to be closer to £21,000 than £30,000”.<sup>3</sup> The article adds that rebellious ministers believe Theresa May will be forced to allow workers earning as little as £21,000 to enter the UK after Brexit. For this reason, we have included three scenarios for our estimates of net migration – one at the £30,000 level, one at the £25,000 level and one at the £21,000 level.

8. The third category is the White Paper proposal to allow lower skilled workers from “low risk” countries to come to work in the UK for “up to a year” before returning home for a year’s “cooling off” period. Thereafter they could return to work in the UK for a period so far unspecified. This scheme would be reviewed in 2025. Low risk countries have not yet been specified but we expect all EU countries to be included as the EU would not accept differential treatment for member states. Indeed, the Chancellor of the Exchequer has publicly encouraged British businesses to seek concessions on immigration in the context of the forthcoming trade negotiations.<sup>4</sup>

9. It would seem that this extraordinary arrangement is intended to provide UK employers with effectively unlimited access to low paid workers in such a way as to keep them out of the long-term immigration statistics. Workers entering on this basis would not be counted towards the government's net migration target as they would be entering the UK for no more than twelve months so would not fall within the international definition of a migrant. The numbers involved could be very substantial but it is not possible to make an estimate of total likely inflows nor of the proportion that would inevitably exploit weak government enforcement and overstay their visas.

10. This third category also includes the proposal in the White Paper that the existing Youth Mobility Scheme should be expanded to EU citizens. Indeed, it has already been offered to them subject to negotiation. The present scheme allows young people aged between 18 and 30 from Anglophone and Far Eastern countries to come to the UK for up to two years (non-renewable) for the purpose of work, study or travel. The number of EU citizens who fall into this age group is over 60 million. Clearly, therefore, unless this route is capped the potential for large numbers of entrants is considerable.

11. The following scenarios takes no account of EU nationals who might arrive via the "low risk" temporary work scheme or the Youth Mobility Scheme, both of which could eventually contribute to long-term net migration. There are likely to be problems associated with enforcing the temporary work scheme, and the Director of the Migration Observatory has remarked that the Youth Mobility Scheme is a source of, "*potentially quite a significant supply of labour for the UK labour market.*"

12. It follows that a significant proportion of EU workers with similar characteristics to previous arrivals would continue to have access to the UK labour market, subject only to very light touch controls. The new requirement to apply for a visa would likely have an impact in reducing the inflow but the effect would be limited. Indeed, for the third category there appears to be little more than a requirement for potential arrivals to sign up online in advance. Those arriving after December 2020 would not have automatic rights to settlement, the right to access public funds, the right to switch into other routes or to bring dependants, so this might be an additional disincentive. The recent period of uncertainty surrounding Brexit has contributed to a sharp fall in EU net migration. However, labour market conditions in the UK (such as low unemployment) and in sending countries (for instance, high youth unemployment and lower wages relative to the UK) are likely to be much more important factors and are likely to persist.

13. The number of EU workers in the UK continued to rise after the referendum, reaching record levels in 2017. More recently, net migration from the EU has reduced, but with as yet very little impact on the number of EU workers in the UK. We have therefore taken as a starting point the average inflow of the last five years to September 2018. According to LTIM, gross inflows from the EU for all reasons have averaged 243,000 a year. By using IPS data to break this down by stated intention of entry, inflows are as follows:

*Work-related – 147,000*

*Family – 21,000*

*Study – 41,000*

*Other / no reason – 14,000*

*LTIM adjustment – 20,000*

14. We estimate that inflows for study will decrease by 10% due to the extra administrative burden placed on EU applicants (i.e. the requirement to apply for study visas). We also think that work-related inflows under the proposals for skilled workers will be lower than previously unrestricted inflows and that inflows for family and other/no reason will decrease in the same proportion. The extent to which this happens will depend upon the salary threshold that is established.

15. Labour Force data shows that those EU workers who arrived since 2008 and were still resident in the UK in 2018 had earnings in the following proportions:

£30,000 and above 29%

£25,000 and above 41%

£21,000 and above 59%

We have rounded these proportions so we would expect the likely effect of different thresholds on entry to the UK for work to be reductions of 70%, 60% and 40% respectively.

16. The impact on annual EU inflows for work under the 'skilled' proposals at different salary thresholds is shown below (see Table 1). The LTIM adjustment accounts for the difference between IPS and LTIM data sets. While it is necessary to refer to IPS data to obtain figures by type of migration as measured by intention, the LTIM figure more accurately reflects total immigration figures because it includes asylum applicants and those moving from visitor status into another visa category.

Table 1: EU inflows under 'skilled' proposals at various possible salary thresholds:

Type of migration	Current inflow (five-year avg)	Salary threshold £21,000	Salary threshold £25,000	Salary threshold £30,000
Work	147,000	88,000	59,000	44,000
Family	21,000	13,000	8,000	6,000
Study	41,000	37,000	37,000	37,000
Other/No reason	14,000	8,000	6,000	4,000
LTIM adjustment	20,000	20,000	20,000	20,000
Total	243,000	166,000	130,000	111,000

17. Over the last five years, the outflow of EU nationals has been at an annual average rate of 112,000. This is approximately 46% of total EU inflows over the same period. We therefore assume that 54% of inflows are likely to contribute to long-term immigration. Applying this to the above figures gives a net migration estimate as follows:

Salary threshold £21,000	Salary threshold £25,000	Salary threshold £30,000
$166,000 \times 0.54 = 90,000$	$130,000 \times 0.54 = 70,000$	$111,000 \times 0.54 = 60,000$

These figures compare to a five-year average of EU annual net migration of 131,000. So, in these scenarios, the reduction in EU migration in the official net migration figures would be between 40,000 and 70,000. This calculation ignores the short-term workers described in paras 10-12 above.

## Future non-EU inflows

18. If a primary Tier 2 (General) salary threshold of £30,000 were to be adopted, six million full time jobs now held by UK-resident workers would potentially be opened up to new or increased worldwide competition (see our [blog](#)). UK businesses will no longer be obliged to advertise jobs in the UK and there will be no cap on numbers entering for work, thus enabling employers to scour the world for the cheapest staff they can find. It is also relevant that this work route can lead to settlement (provided certain conditions are met) which could be a strong incentive for candidates from some countries. We consider that, as a result, those coming to work from outside the EU will increase significantly.

19. This paper only considers the impact of changes in the number of Tier 2 arrivals and their dependants on the inflow of non-EU nationals. The White Paper makes no new proposals as to the family route, but many migrant workers will eventually qualify for settlement in the UK so there might well be a subsequent increase in people arriving on family visas. There are some changes proposed to the study route but they are not likely to have a large effect on the numbers.

20. Changes to remove the Tier 2 cap and lower the skills threshold would have the practical effect of making it easier for employers to recruit around the world but it would also send a message to employers that they could continue to import skills without limit rather than increase their efforts to train British workers. They would also add seriously to the impression that the government is no longer serious about pressuring employers to invest in UK human capital in order to lessen their dependence on migration, which the MAC stated as a key aim in July 2016.<sup>5</sup> The MAC has noted that the health sector, for instance, has used migrant labour as a *'get out of jail free'* card rather than tackling underlying problems of recruitment. The proposed Tier 2 changes would only encourage such behaviour and are likely to lead to further Tier 2 inflows from around the world. The fact that the current annual cap on Tier 2 (General) visas has only been reached recently (despite being implemented in 2011) does not offer a useful precedent for anticipated inflows if there is no cap whatsoever and the salary threshold is significantly lower.

21. The White Paper lists economic differentials between source and destination countries and cultural factors (including friends and family already in the destination country and language) among key drivers of migration (see p.111 of the White Paper). Also important is the fact that the UK is a relatively stable, safe and free society. Loosening of Tier 2 as it relates to citizens of countries around the world that have a much lower GDP-per-capita than the UK is likely to increase the level of skilled work migration considerably. The country of citizenship of the largest share of work permit grantees in 2016 was India (36%). The UK's GDP per capita measured in purchasing power parity was more than six times that of India in 2017 (\$43,300 compared to just over \$7,000).

22. Additionally, more than five million non-EU born people who are already in the UK are likely to act as a draw for friends, relatives and acquaintances still residing in other countries. These factors suggest that there would be a strong incentive for potential migrants from around the world to come to the UK via the loosened Tier 2 route in which an unrestricted number of work permits could be issued.

23. It is also necessary to consider the response of UK employers to these new opportunities. The field has been substantially widened by the lower qualification and salary requirements. Salary will be the main determinant although the MAC have pointed out that the salary threshold might lead to UK workers being undercut in certain sectors.<sup>6</sup> If employers find that they can employ migrants at a lower salary they will certainly be tempted to do so, especially if they find that their competitors are employing cheaper migrants. The scope for this will be even greater in London and the South East where the mean salary is close to the requirement for immigrants. There could also be substantial savings in their training budgets to the detriment of British candidates. Finally, the abolition of the requirement first to advertise in the UK (the so-called Resident Labour Market Test) means that employers will be able to turn to immigrants in the first instance without any publicity and attendant controversy.

24. Having established baselines from the composition of previous inflows and having considered the characteristics of the stock of immigrants in the UK, it is then ultimately a matter of judgment as to how these inflows may be affected by the government proposals. The exercise conducted by UK in a Changing Europe with regard to the MAC proposals<sup>7</sup> judged that there would be large reductions in EU work migration and only modest increases in non-EU workers coming via the Tier 2 (General) route. However, their assessment was conducted before the publication of the White Paper and their judgements were based on an assumption that government proposals would be 'broadly in line' with those of the MAC. The proposals actually in the White Paper depart significantly from the MAC recommendations in key areas, in particular as regards bureaucratic barriers and employer costs, including a light-touch sponsorship system for small firms, the possible use of umbrella organisations to act as sponsors, and for 'visitors' to switch easily into work once they are in the UK (see para 49 of the White Paper). The clear intent is to minimise burdens on employers and to make it much easier to engage foreign workers via the Tier 2-equivalent route when compared with both the current system and the MAC recommendations.

25. In developing our scenarios we have taken account of precedents in UK immigration policy. In 2003 a study commissioned by the Home Office estimated that there would be between 5,000 and 13,000 arrivals annually from the EU8 countries of Eastern Europe following the 2004 EU enlargement.<sup>8</sup> The findings were cited by then-Home Office Minister Beverley Hughes in June 2003 as evidence to support her claim that: *"The number coming here for employment will be minimal."*<sup>9</sup> We described this estimate at the time as "almost worthless" and suggested that three times their maximum level would be more plausible. In the event, in the decade after Accession, EU8 net migration averaged *more than five times this level* - 72,000 per year (including an undercount identified by the 2011 Census).

26. In 2013, many in the media played down the likelihood of significant arrivals from Romania and Bulgaria following the ending of transitional controls. A Channel 4 News Fact Check said: *"Predictions of a mass influx of immigrants from Bulgaria and Romania have failed to come true."* In fact, average net migration from those two countries in the period 2014-17 was just under 50,000 a year, precisely in line with our own previous estimates. *These precedents suggest that when work migration entry criteria are significantly relaxed (as the present White Paper proposes), numbers taking advantage of the new regime can be substantial.*

27. In considering the impact of the proposed arrangements on non-EU migration for work we were conscious of the serious underestimates that have been made by some on previous occasions. We also took account of the many millions of jobs that would potentially become exposed to worldwide competition and the relative ease with which employers will be able to access migrant labour as described above. Accordingly, we concluded that non-EU Tier 2 inflows would double at a £30,000

threshold and treble at a £21,000 threshold over a short period of years (see para 30 below)

28. Based upon a five-year average (2013-17) of the number of Tier 2 main applicant visa admissions as a proportion of all main applicant visa admissions for work, we estimate that 47% of work-related inflows, as recorded by the IPS intentions-based survey, are on Tier 2 visas. IPS data does not provide figures for dependants, and we have assumed that they constitute part of the figure for family arrivals. Considering that about 29% of all visa admissions (2013-17) for family, and work and study dependants are for Tier 2 dependants, we apply this ratio to IPS family data.

29. According to LTIM data, non-EU migrant inflows for all reasons have been running at an average of 301,000/year for the last five years. Disaggregating this figure into reason for entry by using IPS and calculating a Tier 2 figure (as per para 28) breaks down inflow as follows:

*Work related – 74,000 (35,000 on Tier 2 visas)*

*Family – 46,000 (13,000 on Tier 2 visas)*

*Study – 133,000*

*Other – 13,000*

*LTIM adjustment – 35,000*

30. For the reasons listed above, in particular the removal of any cap on numbers and the lowering of skills requirements, our judgement of the possible impact of different thresholds on Tier 2 inflows into work from outside the EU is as follows:

£30,000 threshold – double

£25,000 threshold – increase by 150%

£21,000 threshold – treble

The multipliers we are using on this occasion are higher than those used in the previous paper. This is because the rate previously applied to visa grants data took account of the fact that not all visas would be used. This new calculation applies to IPS data which reflects the number of people who are known to have entered the UK.

31. The projected impact on annual non-EU inflows at these various salary thresholds is shown below (see Table 2).

Table 2: Impact of non-EU inflows at various possible salary thresholds:

Type of migration	Current inflow (five-year avg)	Salary threshold £21,000	Salary threshold £25,000	Salary threshold £30,000
Work (non-Tier 2)	39,000	39,000	39,000	39,000
Work (Tier 2)	35,000	105,000	88,000	70,000
Family (non Tier 2)	33,000	33,000	33,000	33,000
Family (Tier 2)	13,000	39,000	33,000	26,000
Study	133,000	133,000	133,000	133,000
Other	13,000	13,000	13,000	13,000
LTIM adjustment	35,000	35,000	35,000	35,000
<b>TOTAL</b>	<b>301,000</b>	<b>397,000</b>	<b>374,000</b>	<b>349,000</b>

32. Over the last five years, non-EU outflow has been at an annual average of 90,000. This is approximately 30% of inflows. We therefore assume that 70% of inflows are likely to contribute to long-term immigration. Applying this to the above figures gives a net migration estimate as follows:

Salary threshold £21,000	Salary threshold £25,000	Salary threshold £30,000
$397,000 \times 0.70 = 278,000$	$374,000 \times 0.70 = 262,000$	$349,000 \times 0.70 = 244,000$

These figures compare to a five-year average of non-EU annual net migration of 212,000 so, on our assumptions the increase would be between 30,000 and 70,000

## Net migration

33. British net migration has been -47,000/year on average over the last five years. We have combined this with EU and non-EU net migration figures to arrive at projections for overall net migration as follows (see Table 3). Our original paper on this was challenged for making reference to non-British net migration, but this is an official ONS category included in the provisional long-term immigration statistics tables so is retained here.



Table 3: Estimated overall net migration at various possible Tier 2 salary thresholds:

	Salary Threshold £21,000	Salary Threshold £25,000	Salary Threshold £30,000
EU	90,000	70,000	60,000
Non-EU	278,000	262,000	244,000
Non-British net migration total	378,000	352,000	314,000
British	-47,000	-47,000	-47,000
Overall net migration	321,000	285,000	257,000

34. For comparison, non-British net migration has averaged 337,000/year over the last five years and overall net migration has averaged 296,000/year in the same period.

35. According to the White Paper, individuals will be able to apply for entry under the new immigration regime from Autumn 2020 onwards and will start to arrive in 2021. Official migration quarterly statistics lag by six months so only a year of data (and possibly only nine months) will be available on which to assess the full impact of these proposals at the time of the next General Election, which is currently due in spring 2022.

36. There will likely be a period of adjustment as applicants and sponsors become familiar with the new system, but this is not likely to last long, especially as the government is considering simplifying the requisite bureaucracy and the fact that potential applicants in countries such as India are already being made aware of the changes to the system that are pending. Accordingly, we would expect net migration at the levels estimated by this paper to be reached within a couple of years or so after the implementation of the new system.

## Conclusion

37. Despite the suggestion by the government that its proposals aim to reduce net migration to 'sustainable levels', the measures in the white paper would likely lead to no such outcome. Even in the unlikely event of the primary Tier 2 (General) salary threshold being retained at £30,000, net migration is unlikely to fall significantly from its recent high levels. Indeed, if the salary threshold is set much below £30,000 it could well lead to an increase rather than a reduction. Furthermore, non-EU net migration is likely to account for a distinctly greater proportion of overall net migration than previously.

19 April 2019

# Notes

1. For more, read our piece, 'Potential Impact Of White Paper – Exposure Of Full-time Jobs To New / Increased Global Recruitment', 13 March 2019, URL: <https://news.migrationwatch.org.uk/2019/03/13/potential-impact-of-white-paper-exposure-of-full-time-jobs-to-new-increased-global-recruitment>
2. Exceptions to the general £30,000 salary level allow entry for work at lower salaries to certain 'new entrants' and shortage occupations but also require higher salaries for some senior and specialist roles. A full list is at Appendix J of the Immigration Rules <https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-j-codes-of-practice-for-skilled-work>
3. The Guardian; 20/12/2018 <https://www.theguardian.com/uk-news/2018/dec/19/theresa-may-will-be-forced-to-back-down-over-migrant-curbs>
4. Speech at lunch of CBI's British business leaders; Davos 2019 <https://www.gov.uk/government/speeches/davos-2019-chancellors-speech-at-the-cbis-british-business-leaders-lunch>
5. Migration Advisory Committee, 'Work migration and the labour market', July 2016, p.32. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/541805/MAC\\_presentation-immigrationandlabourmarket.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/541805/MAC_presentation-immigrationandlabourmarket.pdf)
6. Migration Advisory Committee; Review of Tier 2 - December 2015; Balancing migrant selectivity, investment in skills and impacts on UK productivity and competitiveness ([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/493039/Tier\\_2\\_Report\\_Review\\_Version\\_for\\_Publishing\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/493039/Tier_2_Report_Review_Version_for_Publishing_FINAL.pdf))
7. The UK in a Changing Europe, 'The Economic Consequences of the Brexit Deal', November 2018, pp.9-12
8. Christian Dustmann, with the participation of Maria Casanova, Michael Fertig, Ian Preston and Christoph M Schmidt, 'The impact of EU enlargement on migration flows', Home Office, 2003.
9. *BBC News*, March 2013, URL: <https://www.bbc.co.uk/news/uk-politics-21682810>