



Home Office

Home Secretary

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Professor Alan Manning  
Chair, Migration Advisory Committee  
1<sup>st</sup> Floor, Peel Building  
2 Marsham Street  
London SW1P 4DF

24 June 2019

Dear Professor Manning,

I am very grateful for all of the work which the Migration Advisory Committee continues to do to support the development of Government policy on immigration. In particular, I welcome your recent review of the Shortage Occupation List (SOL). I am considering your advice very carefully and I hope to announce the Government's response to your report imminently.

You will have seen that on 19 December 2018, I published the Government's White Paper on the UK's future skilled-based immigration system. In coming up with the proposals, we drew heavily on your two reports from last September and we have accepted all of the recommendations contained in those reports wholly or in part.

### **Salary threshold**

The White Paper acknowledges that the MAC recommended that existing salary thresholds in the skilled worker route should be retained but the Government has concluded that it would be sensible to engage with businesses, employers and other stakeholders over the course of 12 months before determining where precisely the thresholds should be set.

I believe it would be helpful for the MAC to be involved in this process and I therefore attach, as an annex to this letter, a commission for the MAC to look further at the salary threshold question.

### **Annual report and composition**

You will have seen that the White Paper indicates that as well as commissioning the MAC in respect of specific advice, the Government wants the MAC to produce an annual report covering key aspects of the UK's immigration system. As set out in paragraph 3.11 of the White Paper, this could include the impact of current immigration policies on the economy and the resident population, whether they are achieving the goals set for them, and the local and regional impacts. This very much builds on the final recommendation contained in your report on EEA Migration in the UK. The annual report should also cover the composition of the SOL, salary thresholds and other emerging labour market trends.

I am sure the MAC is already giving thought to how it might fulfil this remit. It would be very helpful to have any update you could give on your initial ideas in this respect and any indication you may have when, given the other demands on the MAC, your first such annual report might be ready. I would also be interested to receive your thoughts as to whether any changes to the MAC's composition are required and in particular whether anything more is required to ensure that you can fully accommodate the concerns of all parts of the United Kingdom.

We will also need to consider whether any change to the Framework Document governing the MAC's work will be required to reflect this enhanced role.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Javid', with a small flourish at the end.

**Rt Hon Sajid Javid MP**

## **COMMISSION TO THE MIGRATION ADVISORY COMMITTEE**

The Government has noted that the Migration Advisory Committee (MAC) has previously advised that the future immigration system should incorporate minimum salary thresholds.<sup>1</sup> We also note their recommendation that the existing salary thresholds should be retained and that they have previously recommended against introducing regional salary thresholds.<sup>2</sup>

In the Immigration White Paper, ‘The UK’s future skills-based immigration system’, the Government agreed to the principle that minimum salary thresholds should be retained for the new skilled worker route. The salary thresholds should help control migration, ensuring that it is reduced to sustainable levels, whilst ensuring we can attract the talented people we need for the UK to continue to prosper. Salary thresholds should also see skilled migrants continue to make a positive contribution to public finances.

The Government is committed to engaging extensively over the course of this year before confirming the level of the minimum salary thresholds. As part of this engagement, the MAC is now asked to advise on a number of issues concerning potential future thresholds and the range at which they could be set.

### **1. The mechanism for calculating future salary thresholds**

We would like the MAC to consider whether this should be:

- i. A single minimum salary threshold, potentially with some flexibilities to set a lower rate;
- ii. The current arrangement of a combination of a minimum salary threshold and a “going rate<sup>3</sup>”;
- iii. An approach which focuses only on the “going rate” for a particular role.

The MAC should consider how responsive each mechanism would be to changing market conditions, how it would affect population demographics and how this method of calculation would fit within the wider immigration system.

### **2. Salary threshold levels**

In addition, the MAC is requested to review where minimum salary thresholds and/or “going rates” should be set in the future immigration system. The MAC should advise what impact salary thresholds will have on the following:

- i. Annual net migration (as per the Government's objective for reducing net migration to sustainable levels);
- ii. The resident workforce, their wages, training productivity and overall labour market flexibility;
- iii. Migrant workers;
- iv. Employers’, the supply of labour and the labour market’s ability to adjust, including impacts by sector and occupation where appropriate, and the impact on emerging industries;

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<sup>1</sup> Migration Advisory Committee, Review of Tier 2, Analysis of Salary Thresholds, July 2015.

<sup>2</sup> Migration Advisory Committee, EEA Migration in the UK: Final report, September 2018.

<sup>3</sup> The “going rate” is currently calculated as the 25<sup>th</sup> percentile salary for an occupation. This is calculated using the Office for National Statistics Annual Survey of Hours and Earnings.

- v. The short, medium and long-term effects on public finances; and
- vi. The short, medium and long-term effects on the economy.

The MAC is also asked to advise on the appropriate salary thresholds for those seeking to settle in the United Kingdom.

### **3. Regional salary thresholds**

The Government accepts that median salaries and local labour markets vary throughout the United Kingdom. However, immigration is and will remain a reserved matter. We also believe that the immigration system must serve the best interests of the whole of the United Kingdom and that coherence is needed to enable businesses to transfer migrant workers throughout all parts of the UK. The MAC should therefore consider whether the conclusions they reach in relation to levels of salary thresholds are applicable to the whole of the United Kingdom or whether there is a need for greater regional variation.

### **4. Exceptions to salary thresholds**

In light of their findings on salary thresholds the MAC is asked to further advise on the impact of exemptions from minimum salary thresholds. This includes:

- i. Whether inclusion on a Shortage Occupation List should qualify occupations for lower thresholds (including in relation to settlement);
- ii. What impact salary thresholds might have on sectors that provide high public value to society and the economy but which might not necessarily pay as high wages;
- iii. What exceptions should exist for new entrants to an occupation and the length of time that such exceptions should be in place for any individual before we can expect them to meet an experienced worker threshold;
- iv. The role of further expanding the scope for non-cash remuneration to count towards salary thresholds, including equity shares and benefits in kind such as accommodation and transport;
- v. Whether part-time workers should benefit from a pro-rata salary threshold.

The MAC is asked to report by January 2020.