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|  <b>Regulatory Policy Committee</b>   | <b>Validation of the One-in, Two-out Status and the Net Direct Impact on Business</b> |
| <b>Validation Impact Assessment (IA)</b>   | Migration permanent limit (points based system - tiers 1 and 2)                       |
| <b>Lead Department/Agency</b>  | Home Office   |
| <b>IA Number</b>   |   |
| <b>Origin</b>  | Domestic  |
| <b>Expected date of implementation (and SNR number)</b>  | SNR 1   |
| <b>Date of Regulatory Triage Confirmation</b>  | N/A   |
| <b>Date submitted to RPC</b>   | 5 March 2014  |
| <b>Date of RPC Validation</b>  | 19 March 2014   |
| <b>RPC reference</b>   | RPC10-HO-0601(3)  |
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| <b>Departmental Assessment</b>   |   |
| <b>One-in, Two-out status</b>  | IN  |
| <b>Estimate of the Equivalent Annual Net Cost to Business (EANCB)</b>  | £0.5 million  |
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| <b>RPC assessment</b>  | <b>VALIDATED</b>  |
| <b>Summary RPC comments</b>  |   |
| <p>The validation assessment is fit for purpose. The Department now recognises that restrictions on immigration that limit businesses' recruitment decisions and/or result in upskilling costs should be considered a direct cost to business or civil society. The Department's assessment also recognises that the overall limit for 'Tier 2' has not had an impact on the number of migrants into the UK.</p> |   |
| <b>Background (extracts from IA)</b>   |   |
| <b>What is the problem under consideration? Why is government intervention necessary?</b>  |   |
| <p><i>"Uncontrolled migration is detrimental to the UK as it does not deliver the best outcome for the economy or for society. Unlimited migration places pressure on public services, school places, and the provision of housing, all of which causes problems for certain local communities.</i></p>  |   |
| <p><i>The Government believes that Britain can benefit from attracting 'the brightest and the best' migrants who contribute the most to the economy. Introducing a limit to non-EU migration will seek to prevent entry to the UK to those who have the lowest skills, who are not in skilled employment, and who are not proficient enough in English language. It will support the Government's</i></p>        |   |

*objective to reduce net migration.”*

### **What are the policy objectives and the intended effects?**

*“The policy objectives and intended effects are to reduce net migration and any adverse social impacts of migration; to augment the selectivity of the system so that the operation of the limit does not exclude the brightest and the best; to achieve the right balance in terms of those with the greatest potential benefit to the UK and the immediate need of employers to fill specific vacancies; to ensure that the limit operates in a way that is fair and, so far as possible, offers certainty to businesses and other users of the system; and to incentivise the skills system and encourage employers to give priority to the training and recruitment of resident workers to meet skill needs.”*

### **RPC comments**

Tiers 1 and 2 are different routes for visa applications under the points based immigration system. Tier 1 (General) is available to ‘highly skilled migrants to come to the UK without a job offer to search for work’, and Tier 2 (General) to ‘skilled migrants with a job offer’. There are also specialist routes for exceptional talent; investors and entrepreneurs; and intra-company transfers. Individuals seeking to access a visa via these routes are subject to eligibility requirements, such as levels of qualifications.

The ‘migration permanent limit (points based system - tiers 1 and 2)’ impact assessment<sup>1</sup> was produced for proposals to “*apply a limit to Tier 1 and Tier 2 categories; amend qualification criteria; and some preliminary tightening of the settlement criteria for in country migrants*”.

The equivalent annual net cost to business (EANCB) of this policy has not previously been validated by the RPC. The BRE Statements of New Regulation have included an estimated cost to business and civil society of £22 million each year. This estimate was to be revised for validation by the Department in light of further evidence from the Migration Advisory Committee. The Department has subsequently submitted several revised estimates that the RPC was unable to validate as robust.

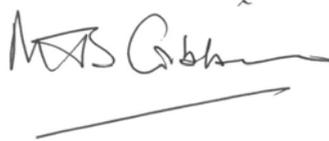
In response to our validation statement of 18 December 2013, the latest submission recognises that restrictions on immigration that restrict businesses’ recruitment and/or result in upskilling costs should be considered a direct cost to business or civil society. As such the RPC is able to validate the Department’s EANCB estimate of £0.5 million each year. The EANCB of the proposal is based on the number of businesses and civil society organisations familiarising themselves with the changes, sponsor obligation and registration costs, as a result of migrants switching from Tier 1 to Tier 2.

<sup>1</sup> <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/policyandlaw/ia/migration-perm-limit-pbs/ia-pbs-t1-t2.pdf?view=Binary>

The EANCB is significantly lower than initially estimated. The validation assessment recognises that the limit for Tier 2 has not been reached and, as such, the introduction of migration limits has not resulted in a reduction in the volume of immigrants in this category. The overall Tier 2 limit has therefore not had any impact on business.

While the introduction of a cap on the number of Tier 2 migrants has not had an impact on the number of migrants, the assessment now reflects that the changes to the qualification requirements for Tier 2 eligibility have had a direct impact on business. The Department's assessment assumes that the costs of the restrictions on business (i.e. the costs on employers from limiting recruitment choices) are equivalent to the administrative cost savings from no longer employing Tier 2 workers. The administrative cost savings result from reduced sponsor obligation costs and registrations. This approach implies that the net cost of reducing the number of Tier 2 migrants is zero and appears proportionate due to difficulties in monetising these impacts.

**Signed**

A handwritten signature in black ink, appearing to read 'Michael Gibbons', with a long horizontal line underneath it.

**Michael Gibbons, Chairman**