



GMS Flash Alert

Immigration Edition

2018-123 | September 18, 2018

United Kingdom - Migration Advisory Committee Releases Final Report on EU Migration

Today the U.K.'s Migration Advisory Committee (MAC) published its final report concluding that the overall impact of European Economic Area (EEA) migration on the U.K. labour market has been relatively small, compared to other changes.¹ If considering immigration in isolation, and not as part of Brexit negotiations², the MAC recommends a more relaxed approach to higher-skilled migration, coupled with a more restrictive approach to lower-skilled migration after free movement between the U.K. and the European Union (EU) ends. It also proposes that EEA and non-EEA nationals should be treated equally, with no preference given towards EEA workers, unless this is being considered as part of a trade deal with the EU.

While the government is not obligated to implement the MAC's recommendations, it is anticipated the government will review its findings prior to finalising details on its plans for a future U.K. immigration system.

WHY THIS MATTERS

This could be unwelcome news for businesses that employ large numbers of lower-skilled workers and rely heavily on EEA migration. For employers of more highly-skilled workers, whilst there will be increased administrative burden for EEA workers applying for visas to work in the U.K., the recommendations seek to relax existing rules to pre-2011 levels, by lowering the skills threshold and abolishing the Tier 2 cap and Resident Labour Market Test (RLMT) for all migrants.

While it is unclear whether MAC's recommendations, if any, will be taken into account by government, a White Paper detailing its proposals is expected to follow soon.

Highlights of Proposals

In July 2017, the U.K. government commissioned the MAC to assess the impact of EEA migration on the U.K. labour market. Below are the proposals in brief from the report released today.

- EEA migration has had small overall impacts on areas such as U.K. wages, employment, productivity, innovation, training and public services. EEA migration has not driven down U.K. wages and the overall contribution to public services is greater than consumption.
- Unless immigration is being considered as a factor for negotiations with the EU, it is recommended that no preference should be given to EEA workers above non-EEA workers – a migrant’s contribution should be based on skills, employment, age, and use of public services, not nationality.
- While free movement is ending, other countries, e.g., Canada, that do not have free movement, still benefit from having a relatively open immigration policy, without the need for bilateral agreements with these other countries.
- The proposed changes would not need to impact visa-free travel for EEA nationals, so a visa would only be required for EEA nationals who intend to work and settle in the United Kingdom.
- Government should focus on enabling more highly-skilled migration, where the benefits to the U.K. economy overall are greater. The current system should be simplified and made available to more migrants.
- The Tier 2 (General) system serves as a good template for higher-skilled EEA and non-EEA nationals, however the bureaucratic requirements currently in place should be relaxed.
- There is no recommendation to introduce a specific work-related scheme for lower-skilled workers, except for a possible seasonal agricultural workers scheme. They do not promote implementing Tier 3 of the current Points Based System (PBS) to fill the gap.
- Sector specific exemptions are not recommended, advising that the public sectors and other industries should not receive special treatment.
- Lower minimum salary thresholds for regions outside of London and the South-east should not be introduced.

High- / Medium-Skilled Workers

- The government should provide greater access to medium- and highly-skilled EEA and non-EEA migrants.
- The existing Tier 2 General route provides a useful starting point, but the current administrative burden surrounding the application process should be reduced. The following changes are proposed:
 - The Tier 2 cap of 20,700 visas per year should be abolished – unpredictability means employers are unable to plan ahead.
 - The minimum skill level for a Tier 2 General visa should be reduced from National Qualification Framework (NQF) Level 6 to NQF Level 3, meaning an additional 142 additional occupations which had previously been excluded will now become available for sponsorship.
 - The minimum salary threshold of £30,000 per annum should be retained even for NQF Level 3+ jobs. Evidence suggests that 40 percent of existing roles at NQF Levels 3 to 5 are already paid above this threshold.
 - The Resident Labour Market Test (RLMT) should be abolished. If the government seeks to retain the RLMT, MAC recommends that:
 - more migrants should be exempt from the RLMT;

- the high-earner threshold, currently £159,600 p.a., should be substantially reduced, to as little as £50,000; and
 - the requirement to appoint a settled worker should be relaxed so businesses can employ the best available candidate.
- Tier 2 migrants should be able to switch employers more easily to increase competition among employers.

Lower-Skilled Workers

- The MAC advises against a specific work migration route for lower-skilled workers after free movement ends. The proposal to expand Tier 2 to cover roles within NQF Level 3, should not extend to roles within NQF Levels 1 and 2.
- Employers will continue to have access to EEA and non-EEA workers already employed in the U.K., and there is no evidence to suggest the alleged “cliff-edge” in supply of labour will take place.
- The MAC recognises that 99 percent of seasonal agricultural workers in the U.K. are from the EEA and therefore proposes that if the government does introduce a work-related scheme, this should be focused on the agricultural sector. However, as it’s important for employers to complete on wages, employers should pay a higher minimum wage in exchange for privileged access to the scheme.
- In looking at other options for lower-skilled workers, the government could expand the current Tier 5 Youth Mobility Scheme to more countries and make this available to EU citizens. Family migration also accounts for a large proportion of lower-skilled workers.
- A specific scheme for the agri-food sector in Northern Ireland could be introduced given the additional challenges on border crossing and heavy reliance in this area.

KPMG NOTE

The MAC report conclusions may be of surprise to many businesses that have lobbied hard during the consultation process to retain preferential access to EEA migration. There is no lower-skilled migration route open to non-EEA nationals, therefore if the government decides to implement proposals to treat EEA and non-EEA nationals equally, businesses could see an end to access to lower-skilled labour. This could place a bigger focus for employers on retention of their EEA workers as free movement draws to a close in December 2020.

Alternatively, the government may still strike a deal with the EU or seek to build an entirely new immigration system altogether, taking into account the overwhelming reliance on EEA migration in many sectors across the United Kingdom. For employers of medium- to higher-skilled migrants, whilst the new requirement for EEA migrants to apply for work visas will introduce additional administration, the proposals to relax the Tier 2 route and improve access to international talent should be welcomed by many businesses.

While the MAC’s findings have influenced government policy in the past, not all recommendations have been accepted and this must be viewed in the context of wider Brexit negotiations and policy-making.³ The government is expected to release its White Paper soon detailing plans for the new immigration system. In the meantime, businesses remain without clarity and could be unable to plan ahead. Employers should continue to engage with their EEA workers on this topic and consider if / what level of support might be provided to foster re-assurance around the upcoming changes with their current EU workforce as a result of the EU Settlement Scheme.

FOOTNOTES:

1 See "[EEA Migration in the UK: Final Report](#)" (18 September 2018).

According to the [website](#), The Migration Advisory Committee (MAC) is an independent, non-statutory, non-time limited, non-departmental public body that advises the government on migration issues.

2 For related coverage, see the following issues of *GMS Flash Alert*: [2018-099](#) (17 July 2018) and [2018-088](#) (22 June 2018).

3 See the [Policy Paper](#) on the recent position of the U.K. government in respect of Brexit and the options for immigration.

* * * *

Contact us

For additional information or assistance, please contact your local GMS or People Services professional* or one of the following professionals with the KPMG International member firm in the United Kingdom.

The KPMG Legal Services – Immigration Team has a wealth of experience in transactional, advisory, and compliance assurance services. We will be able to advise your business in relation to practical considerations in light of the above changes, as well as what this means for your long-term recruitment and compliance strategies.



Punam Birly

Tel. + 44 (0) 20 7694 4950
Punam.Birly@kpmg.co.uk



Sarah Ingles

Tel. + 44 (0) 20 7694 8821
Sarah.Ingles@kpmg.co.uk



Denise Osterwald

Tel. +44 (0) 20 7694 3481
Denise.Osterwald@kpmg.co.uk

** Please note the KPMG International member firm in the United States does not provide immigration or labour law services. However, KPMG Law LLP in Canada can assist clients with U.S. immigration matters.*

The information contained in this newsletter was submitted by the KPMG International member firm in the United Kingdom.

© 2018 KPMG LLP, a U.K. limited liability partnership, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

www.kpmg.com

kpmg.com/socialmedia



© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.