

POINTS BASED SYSTEM (TIER 1) IMPACT ASSESSMENT

Executive Summary

The objective of a controlled migration system is to boost Britain's economy. This will be met by the introduction of a new Australian-style Points Based System to allow the UK to attract migrants able to make a positive economic contribution.

This Impact Assessment considers the establishment of the first tier (Tier 1) of a new system for managing migration to the UK - the Points Based System or PBS. The current system for managing migration which Tier 1 replaces is the Highly Skilled Migrant System or HSMP. Since 2006 the HSMP has incorporated a key element of the new PBS – that is, the selection of migrants based on explicit criteria relating mainly to qualification, age and previous earnings. Tier 1 of the PBS not only maintains these criteria, but enhances the selection system through improved transparency for users; streamlined processes and a supporting IT system.

Because a key element of the PBS is already in place, this assessment considers the impact of Tier 1 of the PBS in comparison to the situation before December 2006, the point at which the existing system was modified and came to resemble the PBS more closely. Thus Option 1, the do-nothing option, represents a situation of no-change from the pre-2006 position. Option 2 represents the impact of Tier 1 from 2008 onwards.

The estimated total economic benefit of the change from HSMP to Tier 1 of the PBS is estimated to be over half a billion pounds (a Net Present Value of £561m over ten years). The increase in output per head for migrant workers is estimated to be around 3 per cent. The main source of benefits will be the success of the criteria set in 2006 in attracting migrants on entry with a higher level of skill, including easier access for productive younger migrants, and the continuation of a stringent points-based test for extensions of leave to ensure that those in occupations with low productivity or the unemployed will not be able to remain in the UK.

We have involved stakeholders in conducting an equality impact assessment to determine any disproportionate impacts of introducing the highly skilled Points Based System in relation to seven equality target areas covering race, belief or religion, disability, gender, sexual orientation and age.

Stakeholders have identified areas where there may be disproportionate impacts, caused by a wide range of social and economic inequalities in different societies around the world.

We will continue to monitor the highly skilled tier and will work with stakeholders to review the policy one year after its launch to assess any evidence of disproportionate impacts.

Summary: Intervention & Options

Department /Agency:
**Border and Immigration
Agency**

Title:
**Impact Assessment of Tier 1 for the Points Based
System for Immigration**

Stage: Final

Version: 1.5

Date: 6th February 2008

Related Publications: Partial RIA to accompany A Points Based System: making migration work for Britain (2006) www.bia.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs

Available to view or download at:

www.bia.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs

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What is the problem under consideration? Why is government intervention necessary?

To control migration so as to profit the UK. Migration brings significant benefits to the UK; in 2006 migrants produced benefits to the tune of £6 billion with international students contributing a further £8 billion. The PBS will ensure that we only attract those that we need.

What are the policy objectives and the intended effects?

Tier 1 will ensure that we control migration in a way that allows highly skilled migrants to come to the UK and boost the wealth of our country.

What policy options have been considered? Please justify any preferred option.

2 Options are considered here:

Option 1: Revert to the HSMP in the pre 2006 format.

Option 2: Continue criteria tried and tested under the post 2006 HSMP and by implementing a new structure for Tier 1 and IT system

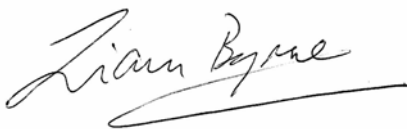
Option 2 is the preferred option because it generates the greatest cost-benefit, fully addresses the policy objectives and maximises the economic benefits of migration.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? The policy is to be continuously monitored as part of review of progress towards meeting our PSA target to boost Britain's economy through migration to reduce the vacancy rate in shortage occupations as defined by the Migration Advisory Committee. The Migration Impacts Forum will advise on wider impacts.

Ministerial Sign-off

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:



Minister of State for Borders and Immigration**Date:** 6 February 2008

Summary: Analysis & Evidence

Policy Option: 2	Description: Implement changes to points criteria
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' Costs to government of implementation over that of the previous system representing an opportunity cost for the UK wide economy. These include extra training costs, IT and accommodation.
	One-off (Transition)	Yrs	
	£ 7.4m	10	
	Average Annual Cost (excluding one-off)		
£ 0			Total Cost (PV) £ 7.4m
Other key non-monetised costs by 'main affected groups'			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Increased total productivity from better selection of migrants (new-comers) through continuation of evidence based points criteria strengthened by improved efficiency of administration of migrant programme. Savings on appeal costs.
	One-off	Yrs	
	£ 0	10	
	Average Annual Benefit (excluding one-off)		
£ 67.4m			Total Benefit (PV) £ 569.1m
Other key non-monetised benefits by 'main affected groups' Reduced burden on taxpayers as new mix of migrants are stronger net fiscal contributors. Improved public confidence in system that denies leave to less productive Tier 1 migrants. Continued and strengthened highly-skilled migrant labour for UK employers.			

Key Assumptions/Sensitivities/Risks NPV (net present value) calculation is highly dependent on productivity and volume assumptions. In particular our assumption that HSMP migrants failing an extension test will be able to use the transitional arrangements we have put in place for the period 2006-2009 to stay in the UK.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £ 458m-709m	NET BENEFIT (NPV Best estimate) £ 560.7m
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What is the geographic coverage of the policy/option?			Worldwide		
On what date will the policy be implemented?			29/02/08		
Which organisation(s) will enforce the policy?			BIA		
What is the total annual cost of enforcement for these organisations?			£0		
Does enforcement comply with Hampton principles?			Yes		
Will implementation go beyond minimum EU requirements?			N/A		
What is the value of the proposed offsetting measure per year?			£ 0		
What is the value of changes in greenhouse gas emissions?			£ 0		
Will the proposal have a significant impact on competition?			No		
Annual cost (£-£) per organisation (excluding one-off)		Micro	Small	Medium	Large
Are any of these organisations exempt?		No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)			(Increase - Decrease)	
Increase of £ 0	Decrease of £ 0	Net Impact		£ 0

Key:	Annual costs and benefits: Constant Prices	(Net) Present Value
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OPTIONS ANALYSIS

1. Key Conclusions

Assuming Tier 1 attracts migrant numbers at last year's levels for equivalent schemes our analysis has assessed Option 2 against the Option 1 baseline in the following areas:

Monetised benefits:

- Average net benefit per Year £67M
- Total NPV (over 10 Years) £561M

Non-monetised benefits:

- Created benefits to UK tax payers through better mix of net fiscal contributors
- Improved reputation for highly skilled scheme as a higher proportion of migrants are now genuinely highly skilled
- Continued increases in output per head

Fiscal Impacts:

- Positive impact through a better mix of fiscal contributors.

Equality Impacts:

This equality impact assessment finds that the potential impact on all seven equality target areas is minimal. But where such effects remain, there are strong policy reasons for them, namely to ensure that the immigration category fulfils its aim of selecting the people who will succeed as highly skilled migrants (e.g. through ability to speak English) and be of the greatest benefit to the UK economy.

2. Background and methodology

This assessment considers the impacts associated with the introduction of Tier 1 of the Points Based System of migration. Tier 1 covers the highly skilled and will replace and build on the existing Highly Skilled Migrants Programme (HSMP). Introduction of this tier will build upon changes made to HSMP, in December 2006 when points allocations were changed to reflect the new criteria proposed for Tier 1 of the Points Based System posing more selective requirements on migrants. As such the impacts associated with the introduction of Tier 1 include both the benefits accrued as an outcome of the 2006 changes and additional benefits from the full introduction of Tier 1 including the introduction of the new Post Study category and the removal of the specific provisions for writers, composers and artists and self-employed lawyers, improved transparency, streamlined processes and new IT.

A full description of the Tier 1 framework and how it will work is contained in the Statement of Intent published on the 5th December 2007. This is available at:

[http://www.bia.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs/](http://www.bia.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsddocs/)

In assessing the impacts of the adjustments introduced by the 2006 changes to the HSMP and the forthcoming introduction of PBS T1 we have considered two options:

- Option 1: Revert to the HSMP in the pre 2006 format; and
- Option 2: Continue criteria tried and tested under the post 2006 HSMP and by implementing a new structure for Tier 1 and IT system.

We have assessed these options against:

- Monetised impacts;
- Non-monetised impacts; and
- Equality impacts.

3. Options

To assess the impact of changes we consider 2 options:

3.1. Option 1: Baseline

We compare the Tier 1 changes to a baseline set before these changes took place.

Option 1 – Highly Skilled Migrant Programme prior to December 2006

Description

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|---|
| <ul style="list-style-type: none">• Removal of objective points based criteria and return to the status quo before their introduction under HSMP in 2006• Apply staffing levels, processes and technology for HSMP in place before introduction of the points criteria in December 2006. |
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3.2. Option 2: Implement Tier 1 Changes in Full

Option 2 – Continue objective criteria under a new points based system by implementing a new structure for Tier 1 and IT system
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Description

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| <ul style="list-style-type: none">• Continue to apply more objective, evidence based points criteria to highly skilled migrants• Continue to apply more stringent points based test for highly skilled migrants extensions of leave• Introduce administrative review |
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Key Benefits

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| <ul style="list-style-type: none">• Increased productivity from a better mix of more successful migrants resulting from an intelligent selection process.• Less speculative applications because of more transparent criteria and on line assessment• Administration Savings resulting from more straight forward case working• Administrative review cost savings as fewer appeals allowed• Improved public confidence in system as migrants in low skilled/less productive occupations are not permitted to extend their leave• Creation of much richer data source to aid future analysis of impacts and fine tuning of selection criteria |
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Key Costs

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| <ul style="list-style-type: none">• New IT• Additional staff training |
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Monetised Impacts of option 2 criteria changes

The main economic benefit of changes to the points criteria for the highly skilled scheme is the impact on economic output of the improved productivity of migrants. We expect the option 2 changes to have the following impacts:

- Continued decrease in volumes of migrants with low productivity at initial stage resulting from English Language requirement and more focus on previous earnings/qualifications
- Continued decrease in volumes of migrants with low productivity at extension stage due to more stringent extension test
- Continued increase in productivity from a better mix of more successful migrants (particularly those in the 28 to 31 age group)

The effect of these changes is to ensure that the economic contribution of Tier 1 migrants is increased both in total and per head without necessarily increasing the total volume of migrants.

To assess impacts we have generated scenarios at, above and below last year's (2006) estimated figure of new-comers to the UK under Tier 1 (based on 13,000 applications received in HSMP). To provide the NPV range we test different volumes assumptions from 10,000 to 18,000. The summary of costs and benefits is on page 7. The remaining assumptions used to evaluate the monetised impacts are given in the table in Annex A.

A further change not considered in the NPV calculation is the removal of specific provisions for Writers, composers and artists and self-employed lawyers. Some of these who previously had specific provisions will not be able to qualify for Tier 1 general either because they do not have a degree or cannot provide evidence of previous earnings to satisfy the points criteria. Overall the numbers involved here are very small (less than 100 a year) and so this change is only likely to make a relatively small negative impact on UK output. No significant changes are being made to the Investors and Entrepreneurs routes. Again, the volumes here are very small with only 92 out-of-country applications in 2006 and 151 given leave to remain in the UK.

Non-Monetised Impacts of option 2 criteria changes

Option 2 also brings the following benefits:

- Continued reduction of costs to taxpayers due to reduced risk of allowing unproductive migrants to the UK
- Improved reputation for highly skilled scheme as a higher proportion of migrants are now genuinely highly skilled
- Continued increases in output per head

Output per head

The constraints of cost-benefit analysis mean that, in our headline figures, we can only take account of the impact of these options on aggregate UK output. However, it is not necessarily the only aim of government policy to use migration to increase GDP. We believe migration can increase the wealth of all UK citizens and the most appropriate measure to assess this is GDP per capita growth.

The measurement of the impact of migration on GDP per head is very complex. Normally, we use salary as a proxy for contribution to output but, due to knock-on and spill-over effects, even migrants who earn little can have a larger impact on output. Our analysis therefore uses salary as a proxy for output.

For our analysis of option 2, we assumed that the volumes of initial migrants remain stable but with a continued improved skill mix. At the extension stage we expect to lose the 10% least productive migrants. The overall impact is to achieve further economic output gains with fewer migrants.

Our analysis estimates that the continuation of points criteria within a stronger BIA decision making structure, enabled by new IT under option 2 continues increases per head output for migrants on Tier 1 general by around 3%. Given that we estimate the policy to increase both the total output and per head output of new migrants and that productivity is well above that of the general population, it is highly likely that the option 2 changes will help to continue increases to UK GDP per head. We also expect that the new mix of migrants through option 2 will increase their net fiscal contribution.

Fiscal Impacts

The increase in the fiscal contribution made by migrants is one of the key outcomes of the Tier 1 scheme. Salary data has shown that, in general, HSMP migrants were already likely to be large net fiscal contributors, but before changes made in 2006, there was a small but significant

number who were not productively enough occupied. While on HSMP, migrant workers are only able to access a limited range of benefits and services; education, health and National Insurance contribution based benefits where a sufficient contribution has been made.

The policy of applying our proposed points test under Tier 1 at extension stage should generate greater net contribution to the Exchequer. We are able to estimate the likely net fiscal position of migrant workers based on their salaries and evidence of the fiscal position of UK citizens. Migrants who earn below the level which is likely to make a net fiscal contribution will be denied an extension of leave.

Wider Impacts

We have examined the likely impacts of the changes to Tier 1 migration on issues such as social cohesion and local services. Supporting data to achieve this is unfortunately sparse. We have consulted with the Migration Impacts Forum who advised that inflow numbers in the scenarios presented are so low that the local impacts would be too difficult to quantify. Though we are unable to accurately estimate the wider impacts of Tier 1 migration, we believe that the options here are only likely to have a marginal impact.

Summary of costs and benefits

The table below summarises the average and total costs and benefits for Tier 1 for each volume scenario.

	Average impact per year		
Assumed Volume per year	10,000	13,000	18,000
Total Economic Output Benefit	+£56 million	+£66 million	+£82 million
Other Benefits			
Savings on appeals	+£1.2 million	+£1.5 million	+£2.0 million
Efficiency savings	+£0.1 million	+£0.1 million	+£0.2 million
Costs			
Implementation of Scheme	-£0.7 million	-£0.7 million	-£0.7 million
Average net benefit per Year	£57 million	£67 million	£84 million
Total NPV (10 years)	£477 million	£561 million	£700 million

EQUALITY IMPACT ASSESSMENT

4. Summary

The UK immigration system has a very wide pool of potential users who can come from anywhere in the world. The criteria for entry and leave to remain are designed to maximise the economic benefits of migration and are the same for all potential migrants from outside the EEA.

This equality impact assessment finds that the potential impact on all seven equality target areas¹ is minimal. But where such effects remain, there are strong policy reasons for them, namely to ensure that the immigration category fulfils its aim of selecting the people who will succeed as highly skilled migrants and be of the greatest benefit to the UK economy. This impact assessment describes what we will be doing in the future to monitor of the impact of the policy, and the consultation process we have undertaken.

There is a risk that disproportionate impacts are occurring unnoticed in the areas of: disability; gender identity; and sexual orientation because quantitative data for such users of the immigration system is not currently collected. For this EIA we have relied on qualitative data provided by stakeholders from those areas.

This equality impact assessment is focussed solely on the impacts of the policy to introduce the highly skilled tier (Tier 1) of the points system. It does not address the difficulties some groups may have in accessing the highly skilled tier, due to a wide range of social, educational and economic inequalities in different societies around the world. The UK immigration system cannot be used to mitigate much wider-ranging barriers and inequalities in the home countries of those who may wish to use it. This EIA, whilst noting stakeholder concerns, considers such inequalities outside its scope.

We also consider outside the scope of this EIA, discrimination that may be faced in the UK workplace. Stakeholders have suggested that labour market discrimination in the UK against ethnic minorities, people with disabilities, women, trans-gendered people, and gay and bisexual people makes it harder for applicants from these groups to achieve the level of earnings required to extend their leave in the UK under Tier 1: General. The Government notes the evidence put forward by stakeholders in this regard.

The immigration system is not, however, an appropriate or adequate tool to mitigate this. The Government considers labour market success in the UK, as reflected in earnings, an essential prerequisite for extending leave under Tier 1 (General). This is because the category's purpose is to attract and retain the most highly skilled migrants in order to boost Britain's economy. The most important measure of their economic contribution is their salary. If Tier 1 (General) migrants are unable, for whatever reason, to make an economic contribution to the UK economy then they have not met the objective of the category and it is right that their leave in that category should not be extended.

The highly skilled tier is not the only route for migrants wishing to work in the UK. It is designed specifically for the most highly skilled, and the eligibility criteria are commensurate with that objective. Those who cannot meet the requirements for Tier 1 may still be able to gain leave in the UK under another category of the Immigration Rules, such as work permits.

This equality impact assessment draws on our monitoring following changes to the Highly Skilled Migrant Programme in December 2006 which, in effect, introduced Tier 1 (General) criteria. Analysis of initial application² data indicates that the new requirements have not biased selection or had significant adverse impact on any particular nationality or gender. Approvals rates have increased or remained similar for all groups.

¹ Race; religion, belief and non-belief; disability; gender; gender identity; sexual orientation; age.

²"Initial applications" covers both applications made from outside the UK and applications made by people switching from another immigration category in the UK.

5. Race and belief equality impact assessment

Introduction

The general duty in section 71 of the Race Relations Act 1976 to promote equality of opportunity between persons of different racial groups does not apply to carrying out immigration and nationality functions. This is because the operation of immigration control requires decisions to be made which will in many cases adversely affect the opportunities open to people who are subject to it. Those exercising such functions are, however, required to promote good relations between persons of different racial groups. We consider that the introduction of Tier 1 will not make it harder for non EEA nationals of certain countries than for those of others to apply and be successful.

Our monitoring of the situation since December 2006 has shown there has been little change in the pattern of initial applications. Nine nationalities appeared in the top ten for HSMP applications in 2006 and 2007. The lack of significant change suggests that the new requirements have not had any significant disproportionate impact.

Tier 1 (General): qualifications

The importance of qualifications in the points structure for Tier 1 (General) creates the potential for disadvantaging some applicants because of the problem of recognising overseas qualifications. However, we will recognise overseas qualifications that are which are equivalent to a UK bachelors masters or PhD, assessed against National Academic Recognition Information Centre³ data. This will ensure that points for qualifications are applied consistently, transparently, and fairly.

Tier 1 (General): Earnings

The importance placed on previous earnings in the points structure creates the potential for disadvantaging some applicants because overseas earnings levels for jobs with similar levels of purchasing power will vary between countries, depending on the level of average earnings. Tier 1 (General) will continue to use the Highly Skilled Migrant Programme salary conversion tables. These take account of differences across the world by first converting overseas currencies into GBP; and then weighting the resulting figure according to the GDP level of the applicant's home country. This system means that the potential disproportionate impact caused by differing wage levels is mitigated. We intend to recalibrate this system as soon as we can to ensure that it continues to remain fair.

Tier 1 (General): English

Stakeholders identified adverse impacts caused by the English language requirement which discriminates against those not from majority English speaking countries. However, requiring migrants to speak English is a key part of the Government's immigration policy as it improves migrants' participation in the workplace and assists with integration and social cohesion; as a result we think it is right to require a high level of English for Tier 1 (General) in particular. This provision is unlikely to disadvantage applicants who have prepared for success in the UK.

6. Disability Equality Impact Assessment

On-line application system

Stakeholders were concerned that the on-line application system could place barriers in the way of those who have difficulty using computers or reading text on computer screens. We will mitigate this barrier by building the new IT system to comply with the industry standard W3C "Web Content Accessibility Guidelines 2.0" (<http://www.w3.org/TR/WCAG20/>). Following these guidelines will make content accessible to a wide range of people with disabilities, including blindness and low vision, deafness and hearing loss, learning disabilities, cognitive limitations, limited movement, speech difficulties, photosensitivity and combinations of these.

³ NARIC is the UK's official source of accurate research and intelligence on foreign academic/vocational qualifications. Their primary service is providing equivalency statements for qualifications from overseas.

Tier 1 (General): English and extension tests

Stakeholders raised general concerns that the English and extension requirements did not take into account applicants who might have learning difficulties. However our criteria have to be transparent and applicable to all applicants: there is no intrinsic reason why someone with learning difficulties could not demonstrate they have a sufficient command of the English language or that they had managed to secure a highly skilled job with a commensurate salary in the UK.

7. Gender Equality Impact Assessment

There has been little change in the gender make-up of approved initial applicants since the HSMP changes were introduced in December 2006. In 2006, males made up 72% of total approvals compared with 71% in 2007. The male-female approval rate differential has also stayed roughly the same. In 2006, 53% of applications made by females were approved compared with 51% for males, a difference of 2 percentage points. In 2007, 63% of applications made by females were approved compared with 62% for males, a one percentage point narrowing of the differential. The similarities in the figures for applications assessed under the old and new requirements suggest that the new requirements have not had any disproportion impact on any particular gender.

Tier 1 (General): earnings

Women who take time out of the labour market to have children will not have been able to progress their earnings potential in the same way a comparator male who has not had children would have done. This means that women are indirectly discriminated against by the Tier 1: General points table which awards more points for higher earnings.

Special arrangements have been put in place to calculate the points for earnings for women who have taken maternity leave from employment during their initial grant of Tier 1 leave. In general, points for previous earnings can only be claimed in respect of any single, consecutive 12-month period from the 15 months immediately prior to the date of application. An applicant may claim points for a 12 month period of earnings from outside this period in cases where the applicant can establish that they have been absent from the workplace at some point during the last 12 months due to a period of maternity or adoption related leave.

Tier 1 (General): qualifications and earnings

Stakeholders have suggested that Tier 1: General discriminates against women because it rewards qualifications, work and skills that are given a greater value by society and which are more widely held by men. Skills traditionally held by women, particularly in the developing world, such as personal and social care skills, are not recognised in the Tier 1 points structure. As such, it indirectly discriminates against women, who are less likely than men to have the characteristics that are rewarded.

The Joint Council for the Welfare of Immigrants has suggested that points should be awarded for 'essential skills' rather than by placing greater value on certain skills or sectors of work that are highly valued by society.⁴

The central purpose of Tier 1 is labour market success and economic contribution to the UK. Our research has shown that the attributes for which points are awarded are the best predictors of labour market success. Other immigration categories, for example, the work permit system, may be more appropriate for those with different sorts of skills.

Tier 1 (General): age

Extra points are awarded if the applicant is under the age of 28 for initial applications under Tier 1 (General) and if under the age of 30 for extension applications. Stakeholders have suggested that this weighs against women, who traditionally have children during that time, and therefore may not be able to score extra points on that basis. Women are therefore indirectly discriminated against.

⁴ Rhian Beynon, *Race and Immigration: is it the end of the affair?* (Joint Council for the Welfare of Immigrants Bulletin, Spring 2006).

Having a child does not, in itself, prevent someone from applying under Tier 1: General. It may have an impact on their earnings progression, which is why we have put in place a procedure to mitigate the potential impact of maternity leave.

8. Gender identity equality impact assessment

Stakeholders have expressed serious concerns over data collection in this area.⁵ But it may be inappropriate to collect quantitative data in this area, due to sensitivities about this issue in a potential migrant's country of origin.

9. Sexual orientation equality impact assessment

Stakeholders did not identify any adverse or disproportionate impacts beyond those mentioned in the summary above.

10. Age equality impact assessment

The HSMP test introduced in December 2006 has made it comparatively easier for 28 to 31 year olds to score on previous earnings (and therefore qualify). This was intentional. Under the old test, applicants aged 27 or under had to have previous earnings of £27,000 or more in order to score in this category while those over 27 required previous earnings of £40,000 or more. The new test was intended to remove this sudden jump in earnings requirements at 28. For the new HSMP test, additional bandings were introduced for both age and salary which has meant the 28 to 31 age group can qualify with lower earnings. Consequently, this group has increased as a proportion of the total from 26% in 2006 to 37% in 2007.

Tier 1 (General): age

Stakeholders have identified the way in which Tier 1: General awards extra points for those aged under 28 at the initial application stage, and for those aged under 30 at the extension application stage, as direct age discrimination, which creates a barrier for access to the system for those aged over the ages for which points are awarded. However this was introduced to try to create a balance between age and experience and so remove any discrimination.

The use of age as a points scoring attribute was included in the full public consultation on the PBS in July 2005. The March 2006 Command Paper *A Points-Based System: Making Migration Work for Britain* outlined the reasoning for giving points for age: 'Age is included as a bonus attribute because it gives employers the ability to employ younger migrants that have demonstrated potential as well as older migrants with established careers, thus helping to deliver the flexibility that consultation respondents have said they want. Younger people are likely to be earning less than older people, and so the points system is designed to take account of this. This is entirely realistic and helps to ensure that those with high potential have access to the UK labour market. Other countries with points-based systems such as Australia and Canada also take age into account in their decision-making'.

Points are awarded for age in order to allow younger applicants the chance to access Tier 1: General. Because of the significant weighting put on previous earnings (because it is the best predictor of labour market success), and because it takes time to establish a successful career and progress earnings to the necessary level, without points for age, young applicants with a high potential would not be able to access the system. We believe that positively discriminating in favour of those aged under 28 is an appropriate balance in relation to a points system that otherwise favours career experience and earnings progression.

11. Action Plan

This impact assessment has identified a number of areas of perceived disproportionate impact. Where appropriate, actions to mitigate disproportionate impacts or barriers will be taken. As with any

⁵ *Gender Identity and Employment Monitoring: Best Practice Recommendations* (a:gender, June 2007) and *Gender Identity and Employment Monitoring: A transsexual/transgender/intersex perspective* (a:gender, no date). a:gender is the Civil Service-wide support network for staff who have changed or need to change permanently their perceived gender, or who identify as intersex.

new policy, there is a degree of uncertainty as to the actual impact, which will only be resolved by monitoring the impact of the policy as it operates.

The following Action Plan has been approved by Liam Byrne, Minister of State for Borders and Immigration.

- Monitoring and Review arrangements: one of the benefits offered by the PBS is the improved management information that it will provide. This will be used to monitor the policy for its impact on the seven equality target areas above.
- Ongoing stakeholder engagement: for those equality target areas where quantitative data is not available, we will review the policy one year after launch with stakeholder groups to check for any disproportionate impacts.

12. Stakeholder groups consulted

The Statement of Intent for the highly skilled tier of the PBS, published on 5 December 2007, was sent to the following stakeholder groups for comments:

<u>All target areas:</u>	Equality and Human Rights Commission ILPA Joint Council for the Welfare of Immigrants Terrence Higgins Trust The Runnymede Trust Trades Union Congress Immigration Advisory Service Local Government Association Convention of Scottish Local Authorities
<u>Race:</u>	Black Information Link
<u>Religion, belief and non-belief:</u>	The Inter Faith Network for the UK
<u>Disability:</u>	Office for Disability Issues Employers' Forum on Disability
<u>Gender:</u>	Women's National Commission
<u>Gender Identity:</u>	a:gender Scottish Transgender Alliance Gender Identity Research and Education Society Press for Change
<u>Sexual Orientation:</u>	Stonewall
<u>Age:</u>	Age Positive Employers' Forum on Age

Annex A: Table of Cost Benefit Assumptions

	Annual Flow Volume Effect	Output per head
Younger Migrants (28-31)	+1,040 (8%)	£35,000
Volume effect of improved Transparency of Tier 1 system and new IT system	+260 (2%)	£40,000
Reduction in less productive qualifying at initial stage (e.g. English language test/degree requirement)	-1,300 (10%)	£25,000
Reduction in less productive at Extension Stage	-1,040 (10% of those extending leave after 3 years)	£10,000
Post Study Route	+1500 (stay on for further year)	£18,000

Total volume of new migrants to Tier 1 general: 13,000 (from historical data on out-of-country HSMP applications)

80% of Tier 1 general are assumed to extend their leave after 3 years in the UK

Lack of data on volumes and economic activity of dependents of HSMP migrants makes estimation of their impact difficult. For this reason, we assume the impact of dependents for option 2 is neutral.

Average productivity is assumed to be £40,000 (estimated from HSMP salary data)

note: all assumptions above are estimated having examined management information from HSMP.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	No	No
Rural Proofing	No	No