

Title: Reforms to the Tier 1 (Exceptional Talent) route IA No: HO0361 RPC Reference No: N/A Lead department or agency: The Home Office Other departments or agencies: Business, Energy and Industrial Strategy and UK Research and Innovation	Impact Assessment (IA)			
	Date: 30/01/2020			
	Stage: FINAL			
	Source of intervention: Domestic			
	Type of measure: Secondary legislation			
Contact for enquiries: Migration Policy Unit, Home Office				
Summary: Intervention and Options			RPC Opinion: Not applicable	

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status
£420m	N/A	N/A	Non-Qualifying Provision

What is the problem under consideration? Why is government intervention necessary?
The UK Industrial Strategy sets out an ambition to boost investment in research and development (R&D) to 2.4 per cent of GDP by 2027. The immigration system has a part to play in helping to deliver on these aims, and the high bar for entry under the current Tier 1 (Exceptional Talent) route may explain the lower volumes of international researchers who used this route. Intervention is required to enhance the visa offer for this route to harness the positive spill-overs of R&D.

What are the policy objectives and the intended effects?
On 8 August 2019, the Prime Minister announced a vision for the UK to be a global science superpower. The primary objective of the policy is to increase the UK's attractiveness to top global talent, encouraging them to come to the UK and make critical contributions to key scientific and research projects. This will also contribute to supporting the UK's Industrial Strategy.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
Two policy options have been considered:
Option 1 – Do Nothing, this does not achieve the Government's objectives.
Option 2 – Reform the Tier 1 (Exceptional Talent) route, including to re-brand it to become the Global Talent route.
Option 2 is **the Government's preferred option**, as this will best deliver on the Government's stated commitment to improving the attractiveness of the UK to highly skilled scientists and researchers.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: February 2025					
Does implementation go beyond minimum EU requirements?			N/A		
Is this measure likely to impact on trade and investment?			Yes		
Are any of these organisations in scope?		Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A		Non-traded: N/A

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: _____ Kevin Foster _____ Date: _____ 28 January 2020 _____

Summary: Analysis & Evidence

Policy Option 2

Description: Reform the Tier 1 (Exceptional Talent) route and rebrand as the Global Talent route

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2019	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 330	High: 580	Best Estimate: 420

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.3	19	160
High	0.4	31	260
Best Estimate	0.4	23	190

Description and scale of key monetised costs by 'main affected groups'

There are expected to be set-up costs to the Home Office of between £0.3 to £0.4 million in year 1 only. UK Research and Innovation is estimated to incur ongoing costs, of around £2 million (PV) over 10 years. Revenue from visa fees is expected to reduce by between £20 to £40 million (PV). Public expenditure on additional migrant researchers is expected to increase by between £120 to £230 million (PV) over 10 years.

Other key non-monetised costs by 'main affected groups'

There may be some additional familiarisation costs to Home Office caseworkers and UK Research and Innovation from setting up the scheme.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		60	490
High		100	840
Best Estimate		70	610

Description and scale of key monetised benefits by 'main affected groups'

There are not expected to be any one-off benefits. The Government is expected to benefit from additional tax contributions estimated to be between £460 to £810 million (PV) over 10 years. Home Office processing costs are estimated to be between £1 to £3 million (PV) over 10 years. Employers who use the Global Talent route instead of Tier 2 are expected to benefit by around £24 million (PV) over 10 years.

Other key non-monetised benefits by 'main affected groups'

There are expected to be wider benefits on productivity and innovation to the UK economy from increased investment in R&D and from an increase in the number of highly-skilled migrants in the UK.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

There is a great deal of uncertainty in estimating the increase in the number of researchers coming to the UK under Option 2, as it is dependent on changes in migrant and employer behaviour. The IA also assumes that migrants only contribute for the length of their initial visa, when, in practice, they are likely to extend or settle. This has implications for fiscal and visa fee impacts.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: N/A	Benefits: N/A	Net: N/A	
			N/A

Evidence Base (for summary sheets)

A. Strategic Overview

A.1 Background

Science, research and innovation in the UK

1. The UK is a world-leader in science, research and innovation and ranks in the top four in the Global Innovation Index¹. The UK accounts for only 0.9 per cent of the world's population, yet accounts for 4.1 per cent of the world's researchers, 10.7 per cent of all citations and 15.2 per cent of the world's most highly cited articles².
2. The UK's expenditure on research and development (R&D) reached around £35 billion in 2017, its highest level on record. However, as a proportion of GDP, investment in R&D has been relatively stable over time, with the UK investing 1.7 per cent of GDP in R&D in 2017³. This is less than the OECD average of 2.4 per cent⁴, so there is a need to build on existing investment in order to support the aims of the Government's Industrial Strategy⁵ and to meet the ambition of investing 2.4 per cent of GDP in R&D by 2027 and 3 per cent in the long-term.
3. The UK's International Research and Innovation Strategy⁶ sets out seven themes to help the UK reach these targets. These are:
 - **A global partner:** how we will build and promote partnerships and openness, guided by excellence and impact.
 - **Bringing together talent:** how we will connect researchers and entrepreneurs, support their development and the translation of their ideas, and build global people networks.
 - **A global hub for innovation:** how we will provide innovation hubs across the UK for global innovators, entrepreneurs and investors to connect and build industries of the future.
 - **A package of incentives and financial support:** how the UK's package of incentives and financial support attracts innovative start-ups and scale-ups, and how that support will grow.
 - **A global platform for the technologies of tomorrow:** how the strengths and global reach of our governance, intellectual property and standards frameworks can support the design of common, global regulatory approaches to bring forward emerging, transformative technologies;
 - **A partner for a sustainable future:** how we will build and invest in collaborative partnerships to tackle the greatest global challenges.
 - **An advocate for better research governance, ethics and impact:** how we will build through multilateral fora an international consensus on research governance, ethics and on Open Science to share knowledge and build trust.
4. Ensuring that the UK's immigration system is able to attract researchers from around the world is therefore an important aspect to supporting these themes and the wider Industrial Strategy.

¹ The Global Innovation Index (2018), <https://www.globalinnovationindex.org/gii-2018-report>

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/801513/International-research-innovation-strategy-single-page.pdf

³ <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/researchanddevelopmentexpenditure>

⁴ <https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm>

⁵ Industrial Strategy White paper, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/801513/International-research-innovation-strategy-single-page.pdf

Current immigration system for researchers

5. The UK currently has a number of routes through which non-EEA researchers are able to come to, remain in and settle in the UK. These are:

- Tier 1 (Exceptional Talent)⁷: This is for highly-skilled people in specific, recognised fields who wish to work in the UK (see Annex A for more detail). Potential migrants coming through this route need to be endorsed by a recognised competent body⁸; but, once endorsed, are able to work for employers or be self-employed; change jobs without informing the Home Office; are not required to meet a minimum salary threshold; and bring dependants with them. This route is currently capped at 2,000 places a year.
- Tier 2 (General)⁹: This is the UK's main immigration work route, designed to fill skilled (broadly, graduate level) vacancies for which no suitable resident workers are available. Migrants coming through this route need to meet a number of requirements such as being employed by a licensed sponsor and meeting the relevant minimum salary threshold. This route is currently capped at 20,700 workers per annum for out of country workers (excluding doctors, nurses, PhD occupations and those earning over £159,600).
- Tier 2 Intra-Company Transfer (ICT)¹⁰: This is designed for overseas employees offered a role in a UK branch of the same organisation. Migrants coming through this route also require to be sponsored and meet the relevant minimum salary threshold. They also need to prove they have worked for their employer outside the UK for a certain amount of time.
- Tier 5 Government Authorised Exchange (GAE)¹¹: This is designed for short-term workers who are coming to the UK for work experience, training, an Overseas Government Language Programme, research or a fellowship through an approved government authorised exchange scheme. Migrants are still required to be sponsored, but under the Tier 5 route are unable to take up a permanent job or settle in the UK. This route also includes specific temporary arrangements for supernumerary researchers.

6. Using Home Office management information (MI), estimates of the number of researchers coming to the UK in 2018/19 have been made, see Table 1¹² and Annex B for more detail.

Table 1: Estimated volume of researchers coming to the UK each year, by visa category

Route	Estimated annual entry clearance visas issued ¹³	Estimated annual volume of researchers	Total entry clearance visas issued (%)
Tier 1 (Exceptional Talent)	700	300	40
Tier 2 (General)	35,300	4,300	12
Tier 2 (ICT)	28,500	1,600	6
Tier 5 (GAE)	7,800	2,200	28
Total	72,400	8,300	11

7. As outlined above, potential researchers are offered a number of routes and eligibility criteria to navigate when seeking to come to the UK. In particular, the Tier 1 (Exceptional Talent) route includes requirements for people to be active researchers, have a PhD (or equivalent research experience) be able to provide a recommendation from a reputable source as well as further criteria such as being

⁷ <https://www.gov.uk/tier-1-exceptional-talent>

⁸ There are currently five recognised endorsing bodies – (1) The Royal Society, for science and medicine; (2) The Royal Academy of Engineering, for engineering; (3) The British Academy, for humanities; (4) Tech Nation, for digital technology; and (5) The Arts Council England, for arts and culture.

⁹ <https://www.gov.uk/tier-2-general>

¹⁰ <https://www.gov.uk/tier-2-intracompany-transfer-worker-visa>

¹¹ <https://www.gov.uk/tier-5-government-authorised-exchange>

¹² These estimates are based on research-related occupations, see Annex B for a breakdown of the Standard Occupational Classification (SOC) codes used.

¹³ <https://www.gov.uk/government/statistics/immigration-statistics-year-ending-september-2019>, this is based on entry clearance visas issued between January and September 2019, adjusted to account for a full year.

awarded a prestigious prize or being a member of a National Academy in their home country. This may have led, in part, to this route being underused. The number of people issued Tier 1 (Exceptional Talent) visas in 2018/19 – across all five of the endorsing bodies – was 663, significantly below the 2,000 cap¹⁴.

A.2 Groups Affected

8. The main stakeholder groups, organisations and sectors affected by the options considered are:

- **The Government**, from administering changes to the Tier 1 (Exceptional Talent) route, and from changes in volumes of applications.
- **UK Research and Innovation (UKRI)**, who are becoming a new endorsing body on the route and who will oversee the new Endorsed Funders scheme.
- **UK-based employers**, who will be able to more readily recruit or host within their organisations, non-EEA researchers.
- **Non-EEA researchers**, who are now eligible to apply through the reformed Tier 1 (Exceptional Talent) route. This is also expected to affect EEA researchers coming to the UK after December 2020 following the UK's departure from the EU and once transitional arrangements end.

A.3 Consultation

9. These changes have been subject to engagement with a number of important scientific bodies, including the existing Tier 1 (Exceptional Talent) endorsing bodies, UK Research and Innovation, the wider scientific community, and other Government departments including the Department for Business, Energy and Industrial Strategy (BEIS) and the Government Office for Science.

B. Rationale for intervention.

10. Investment in R&D is associated with positive economic spillovers. This can occur at an individual, organisational or on a national level. Investment in R&D can facilitate the introduction of new processes, techniques and products leading to knowledge diffusion. This can upskill workers and boost competition, raising the profile of the UK¹⁵. Such innovation is expected to increase productivity of firms and businesses¹⁶.
11. Migrant researchers are, therefore, of significant benefit to the UK if they can improve productivity or innovation in the economy. Indeed, the Migration Advisory Committee (MAC) found that there is a significant body of evidence that suggests high-skilled immigrants make a positive contribution to the levels of innovation in their receiving country and, while they acknowledged the uncertainty about the impact of immigration on productivity, they found that most studies conclude there is a positive impact, particularly for high-skilled migrants¹⁷.
12. Greater potential international collaboration and international researcher mobility is associated with further spillover impacts in the UK. UK research undertaken with international partners is 47 per cent more impactful than that conducted solely at a national level¹⁸ and further international collaboration allows for the UK to become a global hub for innovation.
13. One of the main themes of the Government's International Research and Innovation Strategy is to bring together the best talent from around the world. The Government estimates that, to support the ambition of boosting investment in R&D to 2.4 per cent of GDP by 2027, at least another 260,000 researchers are required to be working in R&D across universities and businesses¹⁹. The immigration system has a part to play in helping to deliver on these aims, whilst still ensuring immigration is

¹⁴ This value represents the total Tier 1 (Exceptional Talent) endorsements in 2018/19

¹⁵ https://dera.ioe.ac.uk/20551/1/BIS_14_852_The_Case_for_Public_Support_of_Innovation.pdf

¹⁶ <https://www.ukri.org/files/skills/policy-briefing-idx-pdf/>

¹⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

¹⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/660855/uk-research-base-international-comparison-2016.pdf

¹⁹ BEIS internal analysis

controlled through considerations of applications to enter and stay in the UK. As shown above, the high bar for entry under the current Tier 1 (Exceptional Talent) route may have explained the lower volumes of international researchers who used this route from coming to the UK.²⁰

14. Government intervention is therefore required to enhance the visa offer under this route and to harness the positive spillover effects in the UK economy associated with greater investment in R&D and though greater international research collaboration.

C. Policy objective

15. The main objective of the proposed policy changes is to enable a wider pool of individuals with specialist research skills in science, technology, engineering and mathematics (STEM) to come to the UK; whilst still controlling immigration through considerations of applications to enter and stay in the UK. This is line with Government's wider strategy on science and innovation, which is recognised to be at the heart of the modern Industrial Strategy.

D. Description of options considered.

16. To meet these policy objectives, the following options are considered in this final stage impact assessment (IA):

- **Option 1 – Do Nothing**
- **Option 2 – Reform the existing Tier 1 (Exceptional Talent) route and rebrand it as the Global Talent route**

17. Under Option 2, the following changes are proposed:

- Introducing a new 'Endorsed Funders' route that will enable fast-track entry for qualifying individuals (see Annex C for more detail).
- Adding UK Research and Innovation as a new endorsing body for scientific and research applicants who will oversee and manage a new fast-track scheme for eligible individuals – which will maximise the reach of the route.
- Increasing the number of eligible STEM based fellowships that enable fast-track entry for qualifying individuals.
- Scientific applicants applying on the basis of promise will be able to apply for settlement after three years instead of five.
- Uncapping the route, to remove the existing annual cap of 2,000 places, ensuring that those with the required skills will be able to secure places.
- Ensuring researchers, and their families, who are absent from the UK to undertake activities directly related to their research are not prevented from qualifying for settlement due to these absences.

18. The Government's preferred option is to implement Option 2 and to launch a new Global Talent route, as this best meets the policy objectives.

E. Appraisal.

19. This IA identifies both monetised and non-monetised impacts on individuals, groups and businesses in the UK, with the aim of understanding what the overall impact on society might be from implementing

²⁰ Refer to Annex A for the eligibility criteria of this route.

the preferred option (Option 2). The costs and benefits of each proposal are compared to Option 1, the Do-Nothing option, where no changes to the current system are made.

20. In line with HM Treasury Green Book (2018)²¹ guidance, the discount rate used in this IA is 3.5 per cent, and any 10-year values are quote in present value (PV) terms. The appraisal is over a 10-year period.
21. In line with previous Home Office analysis, and following recommendations made by the MAC²², this IA considers the impact of each option on the welfare of the UK resident population. The IA includes an assessment of: the effect on government revenue and processing costs, the effect of changes in contributions to direct and indirect taxes, the effect on consumption of public services and on the effect on the labour market. Foregone migrant wages are not included in the NPV calculations in line with MAC recommendations, as the IA does not consider the impact on overall GDP.

General assumptions and data

Volumes of non-EEA researchers currently coming to the UK

22. Three main data sources are used to analyse the volume of applications and the characteristics of migrants who currently use non-EEA routes to come into the UK to work in research-related occupations:
- Home Office published statistics up to the year ending September 2019²³, which shows quarterly volumes of entry clearance visas issued by route.
 - Internal Home Office MI from April 2018 to March 2019 provides data on each individual Certificate of Sponsorship (CoS) application, including the Standard Occupation Code (SOC), the name of the sponsoring organisation, salaries and allowances. This data was used for estimating volumes for Tier 2 (General), Tier 2 (ICT) and Tier 5 (GAE); and
 - Internal Home Office MI from April 2018 to March 2019 on the number of migrants entering work through the current Tier 1 (Exceptional Talent) route. This data included details on the field of specialisation of the migrants and the relevant endorsing body from which we were able to then estimate volumes of science-related researchers entering the UK through this route.
23. Table 1 above summarises our estimates and Annex B provides more detail on how these volumes were calculated.

Dependants' ratio

24. Based on published immigration statistics, we estimate the ratio of main applicants to dependants for Tier 1, Tier 2 and Tier 5 separately. Assuming that people coming to work in research occupations are as likely (unlikely) to bring dependants as all other occupations, the dependant ratios are weighted by the proportion of main applicant researcher inflows (as shown in Table 1). The number of dependants per main applicant is calculated to be around 0.6 in 2018 (that is, for every 10 main applicants coming to the UK there are 6 dependants). This is assumed to remain constant in each appraisal year.

Length of stay

25. The length of stay of non-EEA migrant researchers (and their dependants) is based on the length of initial visa grants. This is likely to underestimate the average length of stay of migrants as it assumes that all migrants leave the UK after their initial visa expires and does not take account of extensions and people who end up settling indefinitely in the UK²⁴. Table 2 (below) shows our assumed length of stay for migrant workers entering through non-EEA routes

²¹ <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

²² MAC; "Analysis of the Impact of Migration"; January 2012. <https://www.gov.uk/government/publications/analysis-of-the-impacts-of-migration>

²³ <https://www.gov.uk/government/statistics/immigration-statistics-year-ending-september-2019>

²⁴ This also has an impact on future fee income, as migrants may apply for extensions and for settlement for which a fee to the Home Office is payable.

Table 2: Assumed length of stay for migrant workers entering through non-EEA routes in 2018/19, based on length of initial visa (%)

Route	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years +
Tier 1	0	1	6	10	2	81
Tier 2 (General)	4	13	16	47	2	19
Tier 2 (ICT)	23	38	22	12	1	5
Tier 5 (GAE)	63	24	13	0	0	0
Weighted average	18	15	15	32	1	19

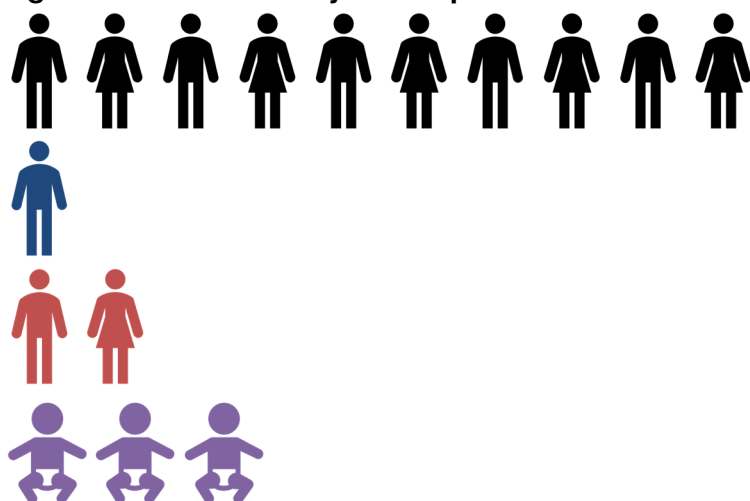
Labour market displacement

26. Non-EEA migrant researchers entering the UK through the new Global Talent route are assumed not to displace UK workers. This is based on the fact the MAC findings that there was little evidence that migrants reduced employment opportunities for UK-born workers²⁵; and that the UK's Industrial Strategy sets out the desire to increase R&D expenditure in the UK and additional researchers (both UK and non-UK nationals) are required in order to meet this ambition.

Fiscal contribution of researchers

27. Migrants can contribute to and draw on the public purse, which has implications for the overall fiscal balance. Tax revenue and spending on migrants will depend on characteristics such as their income, age, family structure and economic activity. Figure 1 sets out these assumptions and Annex D outlines the data sources and methodology used.

Figure 1: Assumed family make-up of non-EEA researchers



10 main applicants

Average age = 30-34 years

Average wage = ~£42,000 per year

1 working adult dependant

Average age = 30-34 years

Average wage = ~£12,000 per year

2 inactive adult dependants

Average age = 30-34 years

3 child dependants

Average age = 5-9 years

28. The analysis in this IA uses the methodology outlined as part of the Technical Annex to the 2018 White Paper on the UK's future skills-based immigration system²⁶. This uses a static analysis of the 2016/17 fiscal year to estimate tax revenue and government spending attributable to migrants of a given age, economic status and earned income, which is updated to 2019/20 prices for this appraisal.

29. Fiscal spend and revenue impacts are calculated separately. Fiscal spend uses a top down approach to apportion total expenditure on public-services²⁷ at the individual level and estimates unit costs for education, social services and healthcare spend by migrant age group and economic activity. All other

²⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

²⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/768013/technical-paper-to-uks-future-skills-based-immigration-system-economic-appraisal.pdf

²⁷ From Public Expenditure Statistical Analysis (PESA) data published by HM Treasury.

spend is apportioned on a per capita basis. As the fiscal methodology uses a marginal approach, expenditure on pure public goods are not included in this analysis; and, as there are restrictions on access to public services for migrants, we assume there is no benefits expenditure on this cohort of migrants.

30. Fiscal revenue estimates are calculated using a bottom-up approach based on a migrant’s earnings using 2019/20 tax rates and estimated indirect tax rates. As employers are responsible for paying employer national insurance contributions, corporation tax and business rates, it is assumed these are transfers between businesses and the Government and so they are presented separately in this analysis and are not included within the final NPV.
31. Based on these assumptions, we estimate that each family makes a positive fiscal contribution of between £10,000 and £17,000 per year whilst in the UK (depending on whether employer taxes are included) – migrants are estimated to make tax contributions of between £16,000 and £23,000 per year and consume £6,000 per year in public expenditure.

Visa fees and processing costs

32. Table 3 shows the out-of-country fees associated with migrant workers and their dependants across the current immigration work routes. Home Office MI is used to understand the proportion of researcher inflows that fall into the relevant fee, based on their length of visa issued and the type of application/CoS issued to the migrant.
33. CoS applications are made by employers and so are transfers between employers and the Home Office.

Table 3: Out-of-country fees and associated processing costs (£)²⁸

Route	Sub-category	Fee (£) ²⁹	Processing cost (£)
Tier 1 (Exceptional Talent)³⁰	Main applicant	608	184
Tier 2 (General)³¹	Main applicant (stay over 3 years)	1,220	127
	Main applicant (stay less than 3 years)	610	127
	CoS application	199	225
Tier 2 (ICT)	Graduate Trainee	482	127
	Long-term staff (stay over 3 years)	1,220	127
	Long-term staff (stay less than 3 years)	610	127
	CoS application	199	225
Tier 5 (GAE)	Main applicant	244	115
	CoS application	21	26

34. The Home Office also currently make payments to the existing endorsing bodies; and a recent cost analysis undertaken looking at 2018/19 costs and volumes indicated that the Tier 1 (Exceptional Talent) route is currently running at a loss of approximately £0.7 million.

²⁸ <https://www.gov.uk/government/publications/visa-fees-transparency-data>

²⁹ Fees are main applicants are equal to dependants’ fees.

³⁰ The Tier 1 (Exceptional Talent) fee may be processed over two stages, depending on whether a letter of approval is required. The total fee for both stages is equal to £608.

³¹ There are reduced fees for occupations on the shortage occupation list

35. There are additional fees for any in-country applications made for the various routes and for any potential settlement applications. This IA only looks at the impact of the reforms on out-of-country applications (see Proportionality section) and so these fees are not presented.
36. Migrants and employers also face fees through the Immigration Health Surcharge (IHS) and the Immigration Skills Charge (ISC). The IHS is currently set at £400 per year and is required to be paid by migrants and their dependants. Based on the average length of stay of migrants (see Table 2), it is estimated that an average IHS charge for each migrant would be around £1,100.
37. The ISC is currently required to be paid by Tier 2 sponsors and is set at £182 per six months stay for small and charitable sponsors and £250 per six months stay for medium or large sponsors³². The ISC is not required to be paid for migrants coming to the UK to work in PhD occupations, those switching from Tier 4 study into Tier 2 work, or those coming to the UK under the ICT Graduate Trainee visa.
38. Based on the average length of stay of migrants (see Table 2), and the proportion of applications estimated not to have to pay the ISC, it is estimated that an average ISC charge would be around £900 for each Tier 2 (General) main applicant and £1,700 for each Tier 2 (ICT) main applicant.

Appraisal

Option 1 – Do Nothing

39. The costs and benefits of this option are compared to itself, and necessarily, the NPV for this option is zero. Under this option, volumes of researchers coming to the UK are expected to remain at current levels or increase at current trends³³.

Option 2 – Reform the existing Tier 1 (Exceptional Talent) route to become Global Talent route

Estimated increase in volumes

40. The reforms outlined in Section D, are expected to increase uptake in the new Global Talent route compared to the existing Tier 1 (Exceptional Talent) route. There is a high degree of uncertainty with estimating the magnitude of this increase as it is dependent on the behavioural response of migrants and employers. In order to give a sense of scale of the potential impacts, three illustrative scenarios are presented below.

Low scenario

41. Under the low scenario, it is assumed that the additional demand is equal to the difference between the total number of endorsement applications made to the three science-related endorsing bodies and the number of applications that actually received an endorsement. Based on Home Office MI, it is estimated that the number of applicants coming under the Global Talent route will increase by around 20 per cent a year compared with the current Tier 1 (Exceptional Talent) route (but this would only have a small increase on the total number of non-EEA researchers coming to the UK)³⁴. The MI does not give a reason for why an applicant was refused, and so there is a chance that those not endorsed under the current route would still not gain endorsement under Option 2.

High Scenario

42. Under the high scenario, it is estimated that the total number of non-EEA researchers coming to the UK will increase by around 8 per cent a year; and that the number of applications under the Global Talent route will treble compared to the existing Tier 1 (Exceptional Talent) route. This is calculated by

³² The minimum fee required is for the first 12 months.

³³ This IA assumes volumes remain constant as set out in Table 1, however, volumes under the baseline may increase over time. This is not expected to affect the results in this IA.

³⁴ This figure reflects those applications made to Science Endorsing Bodies only (The Royal Academy of Engineering, The British Academy, and the Royal Society).

estimating the proportion of researchers currently in the UK that earn under £30,000 per year (the Tier 2 (General) minimum salary threshold for experienced workers³⁵) and applying this percentage to the baseline volume of Tier 2 (General) researchers. This is an illustrative proxy to show what may happen to the number of migrant researchers coming to the UK when they are no longer constrained by salary thresholds.

43. Based on Annualised Survey for Hours and Earnings (ASHE) data it is estimated that currently around 27 per cent of people working in research-related occupations earn below £30,000, which equates to an additional 700 non-EEA researchers coming to the UK each year.

Central Scenario

44. The central scenario adopts a similar methodology as the high scenario but adjusts this estimate to account for the fact that the reforms under Option 2 are, in general, targeted at people with PhDs. Using the Annual Population Survey (APS) 2016-18 three-year pooled dataset it is estimated that around 40 per cent of people in research-related occupations have a postgraduate degree³⁶.
45. Therefore, of the 27 per cent of people in research related occupations who earn less than £30,000 we assume that 40 per cent have a postgraduate degree and are more likely to be eligible for the new Global Talent route. This means we assume demand for the Global Talent route increases by around 300 per year compared to the Tier 1 (Exceptional Talent) route. This is around double the number of people currently granted visas by the existing science-related endorsing bodies and is around a 4 per cent increase in the total number of non-EEA researchers coming to the UK.

Estimated displacement from other routes to the Global Talent route

46. In addition, Option 2 is expected to cause some displacement of non-EEA migrants currently coming to the UK through Tier 2 or Tier 5 into the Global Talent route. It is assumed that non-EEA researchers coming through Tier 2 and who are sponsored by universities will now apply to be endorsed through the new Global Talent route. This is due to the fact that the Global Talent route has lower visa fees for migrants (compared to Tier 2), does not require employers to pay the Immigration Skills Charge (ISC), does not require migrants to be tied to one employer and will also allow for migrants to apply for settlement after three years rather than five years.
47. It is estimated that 61 per cent of non-EEA researchers coming to the UK under Tier 2 (General) will now choose to be endorsed under the Global Talent route. This may overestimate any displacement as non-EEA researchers coming to work in universities still need to meet the other eligibility requirements.
48. As the reforms, which are being launched as an initial phase, are not targeted at those working in research occupations for private companies (that is, it is less likely that UK Research and Innovation will endorse potential applicants), we assume there is no displacement between the routes for these applications. In addition, we do not assume any displacement between Tier 5 and the Global Talent route as the existing Tier 5 route is for supernumerary posts and people working on temporary Government exchange programmes.

³⁵ For simplicity this analysis just looks at the proportion of people working in research-related occupations below £30,000. In practice, there are occupation specific minimum salary thresholds (and different thresholds for new entrants).

³⁶ In order to accurately capture the qualifications of non-UK nationals we could not look at the proportion of people who hold a PhD as the variable in the APS only covers those who obtained their PhD in the UK.

COST-BENEFIT ANALYSIS

Set-up costs

49. There is an expected one-off cost of between £0.3 to £0.4 million to the Home Office, which is expected to cover IT and case-working delivery costs. There may also be some up-front familiarisation costs for Home Office caseworkers, but these have not been able to be quantified.
50. There may be some familiarisation costs and set-up costs to UK Research and Innovation from becoming an endorsing body and who will be conducting the new 'auto-endorsement' element of the Global Talent route.

Change in fiscal contributions of migrants

51. An increase in the number of researchers coming to the UK under Option 2 is estimated to increase public expenditure, on average, by between £14 to £28 million, with a central estimate of around £20 million. **Over 10 years, this is equal to between £120 and £230 million, with a central estimate of around £160 million (in present values).**
52. However, an increase in volumes is also estimated to increase tax contributions, on average, by between £56 and £99 million a year, with a central estimate of around £72 million a year. This more than offsets the increase in public expenditure; and **over 10 years, this is equal to between £460 to £810 million, with a central estimate of around £590 million (in present values).** In addition, there may be an increase in employer-related taxes driven by an increase in the number of non-EEA nationals in the UK. These are assumed to be transfers between employers and the Government and so are not included in this appraisal. Over 10 years this is estimated to be between £190 to £330 million (in present values).

Change in visa fee, Immigration Health Surcharge (IHS) and Immigration Skills Charge (ISC) revenue

53. The estimated visa fee and CoS fee, where applicable for the sponsored routes, are set out in Table 3. In addition to these fees, migrants are required to pay the IHS (currently set at £400 per year) and employers who sponsor migrants under Tier 2 are required to pay the ISC (£182 per migrant worker per six months for small or charitable sponsors and £500 per migrant worker per six months for medium or large sponsors).
54. An increase in the number of researchers coming to the UK under the Global Talent route will increase revenue from visa fees and the IHS, which will benefit the Home Office and the Department for Health and Social Care (DHSC).
55. However, the estimated displacement of migrants from Tier 2 (General) to the new Global Talent route is expected to reduce revenue to the Home Office and the Department for Education (DfE). This is because, on average, Tier 2 (General) visa fees are higher than the Global Talent route fees and because employers are no longer required to pay the CoS fee or the ISC.
56. Therefore, the overall impact on income from visa fees, CoS fees, the IHS and the ISC is uncertain and dependent on the displacement of applications between Tier 2 and the new Global Talent route. Overall, it is estimated that revenue from migrant and employer fees is expected to reduce by between £2 to £4 million per year, with a central estimate of around £4 million per year. **Over 10 years, this is equal to between £20 to £36 million, with a central estimate of around £30 million (in present values).**

Change in Home Office resource spent processing visa applications

57. The estimated unit cost of each type of visa application, where applicable for the sponsored routes, is also set out in Table 3.

58. An increase in volumes under Option 2 is estimated to increase visa processing costs to the Home Office. As mentioned above, the current Tier 1 (Exceptional Talent) route was estimated to operate at a loss of £0.7 million in 2018/19 (as the Home Office is required to make payments to the existing endorsing bodies). Under Option 2, we assume the Home Office does not make any additional payments to endorsing bodies as all additional applications are expected to go through the new UK Research and Innovation-led 'Endorsed Funders' part of the route and UK Research and Innovation will not be charging the Home Office for the endorsement process.
59. Processing applications under the Global Talent route are estimated to be more expensive than processing Tier 2 applications and so there will be additional processing costs to the Home Office of around £57 per application for those applications that have been displaced between Tier 2 (General) and the Global Talent route. However, this is offset by a reduction in the need for Home Office to no longer process CoS applications for those applications displaced between Tier 2 (General) and the Global Talent route.
60. **Overall, it is estimated that there will be a fall in processing costs of between £0.1 and £0.3 million per year, with a central estimate of around £0.3 million. Over ten years this is equal to between £1 to £3 million, with a central estimate of around £2 million (in present values).**
61. In addition to this, for applications under all routes, the Immigration Health Surcharge is collected via a third-party private company who charge a percentage of the value of Surcharge income handled. This expected to be less than £0.1 million per year. **Over 10 years this is equal to between less than £0.1 to £0.3 million, with a central estimate of around £0.1 million (in present values).** This is deemed to be a transfer and is not included in the final NPV.

Ongoing costs to UK Research and Innovation

62. UK Research and Innovation will be responsible for the oversight and management of the new 'Endorsed Funders' scheme within the reformed Global Talent route, which will enable fast-track endorsement for qualifying individuals. This means UK Research and Innovation will now be responsible for assessing endorsement applications. **UK Research and Innovation have estimated that this will lead to ongoing costs of around £0.2 million per year, which over 10 years is equal to additional costs of around £2 million (in present values).**

Benefits to employers

63. There will be benefits to employers who choose to use the Global Talent route to recruit (or host) overseas researchers rather than Tier 2 or Tier 5. These include:
- **Reduction in CoS fees:** For those migrants displaced from Tier 2 (General) to the Global Talent route, this represents a saving to business of around £199 per application.
 - **ISC:** Currently employers sponsoring migrants coming through Tier 2 (General) are required to pay the ISC, which would no longer be the case if employers choose to recruit migrants under the Global Talent route. For every application displaced between the route, and where the ISC was previously payable³⁷, we estimate a saving to business of around £2,500.
 - **Resident Labour Market Test (RLMT):** Employers of Tier 2 (General) migrant workers who are not coming to the UK to working in a shortage occupation must complete a RLMT (although this is lighter touch for PhD occupations), with a few exceptions³⁸. However, under the Global Talent route this is not required. Therefore, those migrant researchers displaced from the Tier

³⁷ The ISC is not required to be paid for people coming to work in PhD occupations, people switching from study to work and people applying for the Tier 2 (ICT) Graduate Trainee route.

³⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/842588/2019-10-25_Tier-2-5-sponsor-guidance_Oct-2019_v1.0.pdf

2 (General) route will not need their employers to complete a RLMT. This is a benefit to employers as they don't have to advertise vacancies for 28 days, provide evidence or conduct any additional admin to pass the RLMT. This will be a time saving for employers, but the benefit to employers is uncertain and has not been quantified in this IA.

64. Overall it is estimated that there will be a reduction in employer costs of around £3 million per year. Over 10 years this is equal to around £24 million (in present values).

Wider economic benefits

65. Migrant researchers are of significant benefit to the UK, as they are able to introduce innovative new techniques. This can be through the introduction of new processes or products, the facilitation of knowledge diffusion, the upskilling of domestic workers, boosting competition, conducting cutting-edge research or increasing the competitiveness of the UK in terms of research, science and innovation. The Migration Advisory Committee (MAC) found that there is a significant body of evidence that suggests high-skilled immigrants make a positive contribution to the levels of innovation in their receiving country and, while they acknowledged the uncertainty about the impact of immigration on productivity, they found that most studies conclude there is a positive impact, particularly for high-skilled migrants³⁹.

66. In addition, economic output is a function of labour used and capital employed. Each worker is a unit of labour and contributes to the creation of economic output. If all else is equal, higher work immigration means more workers in the economy and therefore higher economic output. Whilst aggregate economic output is an important measure, when considering the economic impact of immigration, it is also important to consider GDP per capita. On this measure, particularly in the short run, impacts will be small on aggregate as increased economic output are shared across a larger population.

Net present value of Option 2

67. Table 4 below sets out a summary of the 10-year costs and benefits to the Home Office and businesses of implementing Option 2, the Government's preferred option. It shows a substantial net benefit, driven primarily by additional tax contributions from migrants. In addition to these, there are wider unquantified benefits to the economy from the positive spillovers associated with R&D.

68. The average annual net benefit is estimated to be between £40 to £71 million, with a central estimate of around £52 million. Over 10 years this is estimated to be between £330 to £580 million, with a central estimate of around £420 million (in present values).

Table 4: Summary of costs and benefits of Option 2, 10-year present values

	Who affected?	Low (£m)	Central (£m)	High (£m)
Costs		160	190	260
Set-up costs	Home Office	0.3	0.4	0.4
Public services consumption	Government	120	160	230
UK Research and Innovation processing costs	UKRI	2	2	2
Fall in Visa Fee revenue	Home Office	36	30	20
Benefits		490	610	840
Tax contributions	Government	460	590	810
Processing costs	Home Office	0.3	0.3	0.1
CoS, IHS and ISC	Employers	24	24	24
Wider economic benefits	-	NQ ⁴⁰	NQ	NQ
Total net benefit		330	420	580

³⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

⁴⁰ NQ = Not quantified

F. Proportionality.

69. Given the complex nature behind an individuals' decisions to migrate; and both employers' and potential migrants' behavioural responses to changes in immigration policy, the analysis presented below is subject to considerable uncertainty and the results should be treated as orders of magnitude rather than precise estimates. Despite this uncertainty, we present a range of illustrative scenarios of future demand for the Global Talent route under Option 2 in order to demonstrate the broad economic costs and benefits of additional non-EEA researchers coming to the UK.
70. The analysis assumes that migrants only contribute to the economy for the length of their initial visa; and does not consider migrants decisions to extend their stay in the UK or to settle indefinitely. This may underestimate the number of non-EEA researchers in the UK and any potential impacts. Table 3 of the Migrant Journey Analysis 2018⁴¹ shows that 33 per cent of people who came to the UK in 2013 on a Tier 1 visa and 76 per cent of people who came on a Tier 2 visa had expired leave and were assumed to no longer be in the UK five years after initially coming to the UK. Therefore, two thirds of Tier 1 and a quarter of Tier 2 applicants may be eligible for settlement and stay in the UK permanently.

G. Risks.

71. The Home Office has identified a number of risks associated with this appraisal:

- **Uncertainty of policy impact on volumes:** The impact of Option 2 on the number of non-EEA researchers coming to the UK is highly uncertain, as it will be based on changes in migrant and employer behaviour. To account for this uncertainty the IA presents three illustrative scenarios for future demand covering a wide range. Under each of these scenarios the NPV is positive.
- **Length of stay of migrants:** The IA assumes that all migrants will leave after their initial visa expires and does not account for migrants eventually settling in the UK. This means that the fiscal costs and benefits (which are based on the number of years a migrant is in the UK) are expected to be under-estimates. However, as fiscal benefits outweigh fiscal costs in the appraisal and the overall net present value is positive, this will only strengthen the economic case for intervention.
- **Excluding in-country switching and extensions estimates:** The analysis does not include people switching from study routes into work within the UK; or the impact on Home Office income from applicants applying for extensions. There is a risk, therefore, that the number of additional non-EEA researchers joining the labour force is underestimated and that the revenue and processing impacts are under- or over-estimated in this IA.
- **Methodology for calculating fiscal impacts:** The fiscal methodology adopted in this IA is consistent with the Technical Annex accompanying the 2018 future-skills based immigration system White Paper. However, the analysis only looks at the central scenario and there are a number of different approaches to calculating the effect of policy changes on fiscal balances. This may mean the fiscal impacts are under- or over-estimated in this IA.

72. In order to manage against these risks, Option 2 is being implemented as part of a first phase of wider reforms. Continued monitoring and evaluation of the route will be needed to ensure the route is achieving its objectives – see Section K.

H. Direct costs and benefits to business calculations

⁴¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/803754/migrant-journey-report2018.pdf

73. The proposals under Option 2 are estimated to have some indirect benefits to business, however, the magnitude of these impacts will depend on how employers may respond to the changes. The proposals are expected to allow more international researchers to qualify for the Global Talent route, and to encourage researchers, who would have qualified previously, but were dissuaded from applying to now apply. Businesses who would have recruited under Tier 2 or Tier 5 but choose to use migrants endorsed under the Global Talent route may benefit from reduced fees and sponsorship burdens. However, these proposals are not direct business benefits; and businesses are still free to recruit overseas researchers using current practices.

I. Wider impacts

74. Migration, and changes in migration flows, can have impacts on communities. Community impacts include access to local housing, congestion, access to public services, environmental impacts and crime. These are particularly difficult to quantify, as the MAC has found⁴². Previous MAC analysis considered the impact of migration on cohesion and integration and found that at a national level there is limited scope for quantification and monetisation of impacts, although it was suggested that analysis at a local level may provide a clearer picture of impacts⁴³.

75. In its 2018 report⁴⁴ the MAC considered the impact of migration on crime and well-being. The report did not find any evidence that migration has an impact on crime. This was found to be the case in either direction; namely that migrants are not more likely to be perpetrators or victims of crime than the resident population. The MAC acknowledged that the impact of migration on wellbeing is particularly challenging, given the subjective nature of well-being. The MAC did not find evidence that suggests migration has had a negative impact on subjective wellbeing, although this can vary with attitudes towards migration.

76. In its 2012 report⁴⁵, the MAC discusses whether and how it might be possible to consider the public service and social impacts of non-EEA migration within an economic cost-benefit framework. It concluded that, because the existing evidence base does not consider the public service and social impacts of all types of non-EEA migration in the same level of detail, for the foreseeable future any cost-benefit analysis of the impacts of migration can only be partial. The paper identified three main themes from examination of the evidence: the impact of migration in some areas (crime, housing and transport congestion) converges towards the average for UK nationals as migrants remain in the UK over time, a lack of longitudinal data prevents us from being able to track individual migrants' behaviour and consumption patterns over their lifetime, and finally, conceptual and data difficulties posed difficulties in identifying the impacts in some areas (for example, the link between crime and social cohesion).

77. A House of Lords report on *The Economic Impact of Migration*⁴⁶ notes that the uneven distribution of net immigration and population density across the UK means some of the issues arising from increasing population growth (partly a result of net immigration) are of greater concern in more crowded areas of the country such as the southeast of England. On housing, The Migration Observatory⁴⁷ highlights that because recent migrants are particularly likely to be in private rented housing, migration may be expected to affect prices in the private rental market to a greater extent.

⁴² Migration Advisory Committee, Analysis of the Impacts of Migration. January 2012. Page 94-96.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/257235/analysis-of-the-impacts.pdf

⁴³ Migration Advisory Committee, EEA migration in the UK: Final report. September 2018. Page 99.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

⁴⁴ Migration Advisory Committee, EEA migration in the UK: Final report. September 2018. Page 99-100.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

⁴⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/257235/analysis-of-the-impacts.pdf

⁴⁶

<file:///poise.homeoffice.local/Home/TMS7/Users/MichaeD/My%20Documents/MBA/Pre%20reading/Relevant%20publications/House%20of%20Lords-%20The%20Economic%20Impacts%20of%20Migration.pdf>

⁴⁷ <https://migrationobservatory.ox.ac.uk/wp-content/uploads/2016/04/Briefing-Migrants-and-Housing-in-the-UK.pdf>

78. Overall the evidence has not found causal links between migration and community impacts. The literature stresses the difficulty of doing this and it has focused on a qualitative discussion of the potential impacts. Community impacts are likely to vary at the local level and be subjective in nature.

J. Trade Impact.

79. The proposals may have an impact on trade between the UK other countries, as external literature finds a positive relationship between the immigrant population and trade⁴⁸. There may also be greater trade from increased international collaboration in research projects in the UK.

K. Implementation date, monitoring and evaluation, enforcement principles.

80. The Government intends to implement these measures through changes to the published Immigration Rules, coming into force in February 2020.

81. The Home Office will continue to monitor the number of applications for people coming through the Global Talent route and existing worker routes.

82. The Home Office has also developed an evaluation plan to understand how successful the changes have been in attracting researchers to work in, and stay working in, skilled jobs in the UK; what lessons can be learned about the implementation of the scheme; and the contribution of these additional researchers to the economy. As the reforms are being launched as part of a first phase, the Home Office plans to monitor the route during its first year of implementation; and then evaluate at a later date once enough time has passed to allow data on complete migrant journeys in the UK. The Home Office will work in conjunction with UK Research and Innovation and endorsing bodies to gather the required evidence to inform these research questions.

⁴⁸ The impact of immigration on international trade: a meta-analysis, Genc et al. (2011); Immigration, trade and productivity in services: evidence from UK firms, Ottaviano et al (2016).

L. Annexes.

Annex A: Overview of existing Tier 1 (Exceptional Talent) route

83. The primary aim of the current Tier 1 (Exceptional Talent) route is to facilitate the entry or stay of **high-value** migrants from outside the European Economic Area (EEA) and Switzerland, who can come to the UK without a sponsoring employer, on the basis that they will boost the UK economy and create jobs for resident workers. Migrants coming through the Tier 1 (Exceptional Talent) route need to be endorsed by a designated competent body. There are currently five designated competent bodies:

- The Royal Society, for science and medicine
- The Royal Academy of Engineering, for engineering
- The British Academy, for humanities
- Tech Nation, for digital technology
- Arts Council England, for arts and culture

84. Once endorsed, migrants are able to work for employers or be self-employed; change jobs without informing the Home Office; travel abroad and return to the UK; and bring dependants with them.

85. There are two stages to the out-of-country application for this route⁴⁹. Stage 1 is application for endorsement with one of the endorsing bodies and stage 2 is an application for a visa from the Home Office. There are different fees at each stage of the application process, see Table A1.

Table A1: Tier 1 (Exceptional Talent) out-of-country visa fees for main applicants⁵⁰

	Stage 1: endorsement application	Stage 2: visa application
Migrant	£456	£152
All dependants	-	£608

86. Applications for the Tier 1 (Exceptional Talent) route can either be made out-of-country (i.e. new migrants), or in-country (through switching from other visa routes or extending the initial application). This route is currently capped at 2,000 places each year.

87. The annual limit of 2,000 places is not divided equally across endorsing bodies. The first 1,000 endorsements are assigned to the endorsing bodies in two phases. Half the number is available from 6 April to 30 September each year, and the remaining half will be made available from 1 October to 5 April each year. Any unused endorsements from phase one are carried over into phase two but unused endorsements cannot be carried over from one limit year to another.

- The first 1,000 endorsements are allocated as follows:
 - Arts Council England – 250 places
 - The Royal Society – 250 places
 - The Royal Academy of Engineering – 150 places
 - The British Academy – 150 places
 - Tech Nation – 200 places
- The second 1,000 places within the limit can be used by any DCB, if it has used all its allocated places. The extra 1,000 places are allocated on a ‘first come, first served’ basis, based on the date of application.
- A place in the limit is filled if the applicant is endorsed by the DCB (at stage 1) and is later granted entry clearance or leave to remain under Tier 1 (Exceptional Talent) (at stage 2).

⁴⁹ There is only one stage for in-country applications, requiring a single fee of £608.

⁵⁰ Fees for those from Turkey or Macedonia are £456 at stage one and £97 at stage two.

Annex B: Estimated number of non-EEA researchers coming to the UK

88. The following routes are used to estimate the number of researchers coming to the UK each year.

- Tier 1 (Exceptional Talent)
- Tier 2 (General)
- Tier 2 (ICT)
- Tier 5 (GAE)

89. Other routes may allow people to come to the UK to work in research-related occupations; but either the Home Office does not collect information on the occupational status of migrants (such as other Tier 1 routes) or the volumes are extremely small.

90. In order to classify a migrant as a researcher in scope of the proposed policy changes, they are either: (a) endorsed by one of the three science-related endorsing bodies in the Tier 1 (Exceptional Talent) route; or (b) sponsored by an employer who has said the migrant will work in one of the occupations set out in Table B1.

Table B1: Standard occupational codes (SOC) used to identify research-related occupations

Occupation description
2111 Chemical Scientists
2112 Biological Scientists and Biochemists
2113 Physical Scientists
2114 Social and Humanities Scientists
2119 Natural and Social Science Professionals not elsewhere classified
2121 Civil Engineers
2122 Mechanical Engineers
2123 Electrical Engineers
2124 Electronics Engineers
2126 Design and Development Engineers
2127 Production and Process Engineers
2129 Engineering Professionals not elsewhere classified
2311 Higher Education Teaching Professionals
3111 Laboratory Technicians
2150 Research and Development Managers

Total estimated baseline volumes by route

91. Total volumes coming under each route are based on the number of entry clearance visas issued between January and September 2019 and adjusted to account for a full year. This is to ensure that we are not underestimating Tier 2 (General) volumes, which have increased sharply since 2018 (the last full calendar year of data available). Table B2 sets out these volumes, and they are assumed to be the same in each appraisal year.

Table B2: Estimated total out-of-country volumes by route⁵¹

Route	Estimated annual volume
Tier 1 (Exceptional Talent)	700
Tier 2 (General)	35,300
Tier 2 (ICT)	28,500
Tier 5 (GAE)	7,800

⁵¹ <https://www.gov.uk/government/statistics/immigration-statistics-year-ending-september-2019>

92. This appraisal does not consider in-country switching or extensions made under the various routes, which may underestimate the fiscal impacts and the impacts on

Estimated baseline volume of non-EEA researchers

Tier 1 (Exceptional Talent)

93. These volumes were calculated by looking at Home Office MI between April 2018 and March 2019 to determine how many migrant researchers were endorsed under the Tier 1 (Exceptional Talent) route and by which endorsing body they were endorsed by. In total, we estimate around 40 per cent of endorsements were made by the three science-related endorsing bodies (The British Academy, The Royal Academy of Engineering and The Royal Society); and so, we assume 40 per cent of visa grants are also related to those endorsed by the science-related endorsing bodies.

Other routes

94. For sponsored routes we used Home Office sponsorship MI between April 2018 and March 2019 to see the proportion of certificated of sponsorship (CoS) used by migrants in research-related occupations. This proportion is then applied to the proportion of entry clearance visas issued. Table B3 provides a summary of the volumes.

Table B3: Estimated annual number of researches (rounded to the nearest hundred)

Route	% of entry clearance visas assumed to be researchers	Estimated baseline annual number of researchers
Tier 1 (Exceptional Talent)	40%	300
Tier 2 (General)	12%	4,300
Tier 2 (ICT)	6%	1,600
Tier 5 (GAE)	28%	2,200
Total	N/A	8,300

Estimated volume of non-EEA researchers under Option 2

95. Option 2 is expected to increase the number of non-EEA researchers coming to the UK, however, there is a high degree of uncertainty with estimating the magnitude of this increase as it is dependent on the behavioural response of migrants and employers. In order to give a sense of scale of the potential impacts, three illustrative scenarios are used in the appraisal (see Table B4).

Table B3: Estimated increase in the number of researchers each year (rounded to nearest hundred)

Scenario	% increase in total number of researchers coming to the UK	Estimated annual number of researchers under Option 2
Lower	1%	8,400
Central	4%	8,600
Upper	8%	9,000

Annex C: Detailed description of new Global Talent route

96. Under the reformed Global Talent route, six endorsing bodies (formerly known as ‘Designated Competent Bodies’), will be able to verify a migrant’s skills and expertise in their specialist field before that individual can apply for a visa.

- The Royal Society, for science and medicine
- The Royal Academy of Engineering, for engineering
- The British Academy, for humanities
- UK Research and Innovation, for science and research (new addition to Global Talent)
- Tech Nation, for digital technology
- Arts Council England, for arts and culture

97. The Global Talent route will be uncapped, ensuring all migrants that meet the eligibility criteria for each endorsing body and who successfully pass the security, immigration and identity checks as part of their visa application, will be able to secure places.

98. Individuals successfully granted a Global Talent visa will be able to enjoy the same flexibilities as the current Tier 1 (Exceptional Talent) route. This means, amongst other things, they can work for employers or be self-employed; can change jobs without informing the Home Office; not have to meet a minimum salary threshold on entry to the route; and bring dependants with them.

99. Global Talent fees will be the same as those that exist on the current Tier 1 (Exceptional Talent) route.

Scientists and Researchers – Expansion of the Fellowships Fast-track process

100. Under the existing route, a fast-track process exists for scientific and research applicants who are endorsed by one of the following endorsing bodies where they are in receipt of a recognised scientific fellowship or award: Royal Society, British Academy, Royal Academy of Engineering. This fast-track process enables an individual to reach the visa application stage with minimal bureaucracy – through a process called ‘auto-endorsement’. The list of fellowships enabling auto-endorsement will be significantly expanded and will widen the pool of eligible individuals that can apply under the route.

101. The revised list will include internationally recognised scientific awards given by Marie Skłodowska-Curie Action, the European Molecular Biology Organisation, and the European Research Council.

Scientists and Researchers – New UK Research and Innovation fast-track scheme

102. In the reformed Global Talent route, UK Research and Innovation, as the national funding agency investing in science and research in the UK, bringing together the seven UK Research Councils, Innovate UK and Research England, will be added as a new scientific endorsing body and will endorse applicants applying through a new fast-track scheme, which will be known as the ‘Endorsed Funders’ scheme.

103. The scheme will facilitate fast-track entry to the UK of scientists and researchers who are recognised as making a critical contribution to research projects funded by prestigious grants and awards from recognised funding bodies. Receiving eligible funding or awards is central to this scheme and determines which projects are in scope. In the first phase, Endorsed Funders will be either be funding bodies already recognised within the existing route e.g. Cancer Research UK, Wellcome and the British Heart Foundation; or bodies with whom UKRI have a long-standing, formal relationship, such as the European Space Agency.

104. Research leaders who are either hosted or employed by a Higher Education Institution, eligible research council or eligible Public Sector Research Establishment, will be able to use the route to bring in team members, but only where those individuals are deemed to be of critical value and making recognised contributions to the research. Those researchers will be either: individuals who independently or semi-independently direct the research – usually PhD holders – or those who will make critical contributions through core technical or domain excellence. This latter group must be at least of graduate level and be ‘Directly Incurred’, a term recognised within the scientific community as being essential to the direct advancement of the research itself.

105. When the scheme initially launches, eligible projects and researchers will need to meet additional eligible requirements. This includes restrictions on project funding (awards in scope must be at least £30,000 and last for at least two years) and restrictions on individual researchers, such as requiring them to have at least two years remaining on their contract or hosting agreement.

Scientists and researchers – wider changes

106. Under the Global Talent route, those endorsed by one of the four science bodies will be able to:

- apply for settlement after three years, instead of the usual five.
- utilise a new exemption from our absence rules for researchers, and their dependants, where main applicants are required overseas for work-related purposes. This is intended to support the geographical mobility of researchers.

Review

107. The operation of the new Global Talent route and the new UKRI scheme will be kept under close review.

Annex D: Non-EEA migrant researcher characteristics used in fiscal modelling

108. The fiscal revenue from migrants and estimated public expenditure on migrants are dependent on the characteristics of migrants: namely, their family structure, their household income, their economic activity and their age. For example, migrants earning more will contribute more in tax, whilst older migrants may be more likely to use health services/consume more public services. Table D1 describes the main assumptions and relevant data sources used to estimate the fiscal impacts of non-EEA migrant researchers coming to the UK.

Table D1: Migrant characteristics input into fiscal modelling

Migrant type	Methodology	Assumption
Main applicant wage	This is based on Annualised Survey for Hours and Earnings (ASHE) 2018 data. We take the weighted average of researcher SOC codes (see Table B1) to understand the distribution of wages. ASHE data is not available at a nationality level, and so this assumes non-EEA researchers earn the same as UK and EEA researchers in the UK. This may underestimate earnings of non-EEA migrant researchers as currently, researchers coming through Tier 2 (General) and Tier 2 (ICT) routes are subject to minimum salary thresholds.	We estimate an annual salary of around £42,000 per year
Main applicant age	This is based on Home Office MI between April 2018 and March 2019. This MI shows the age of each migrant at the date they made their application. We do not age migrants over the appraisal period.	We estimate an average age of 30-34 years old
Dependants ratio/family make-up	This is based on Home Office MI between April 2018 and March 2019. This MI shows whether each migrant is a main applicant, partner or child.	For every 10 main applicants, we estimate there are 6 dependants. Of these, 3 are children and 3 are partners.
Dependants age	This is based on Home Office MI between April 2018 and March 2019. This MI shows the age of each migrant at the date they made their application. We do not age migrants over the appraisal period.	We estimate partner dependants are on average 30-34 years old and child dependants are on average 5-9 years old.
Partner dependant's economic activity	This is based on the Annual Population Survey (APS) 2016-18 three-year pooled dataset. We look at the economic activity of those non-EEA nationals who state their reason to come to the UK was to accompany or join and who came to the UK after 2013.	We estimate around 41% of partner dependants are working and 59% are inactive or unemployed.
Working dependants wage	This uses a three-stage process: (1) Firstly, APS 2016-18 three-year pooled data is used to estimate the difference in gross weekly earnings between non-EEA nationals who said they came to the UK to work and non-EEA nationals who said they came to the UK to accompany and join. This gives an income differential between workers and dependants. (2) This income differential is applied to ASHE 2018 data to estimate a proxy wage distribution for non-EEA dependants at a 1-digit SOC level. (3) These wage distributions are then weighted by where non-EEA nationals' dependants are estimated to work. To do this we look at APS 2016-18 data for those who came to accompany and join.	We estimate an annual salary of around £12,000 per year.
Length of stay of all migrants	This is based on main applicant visa data for various routes for 2018/19, which looks at the difference (in days)	We assume on average people stay in the UK between 3-4 years.

	<p>between an applicant's initial case outcome and their visa expiry date.</p> <p>We assume that all migrants leave the UK after their initial visa expires. This is likely to underestimate the stock of researchers in the UK as migrants coming to the UK will extend their initial visa or come and settle here indefinitely.</p>	
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109. Based on these characteristics, the average non-EEA migrant researcher family unit is estimated to make a positive net fiscal contribution of between £10,000 and £17,000 per year (depending on whether employer taxes are included) – between £16,000 and £23,000 per year in tax contributions and around £6,000 per year in public expenditure.