



# Fair Settlement Isle of Man

Fair Rules. Fair Future.

## Brief for Members of Tynwald

Retrospective Earned Settlement Reform – Structural Impact Assessment

### Executive Summary

The UK Government has confirmed that earned settlement reforms will proceed, apply retrospectively to existing Skilled Worker visa holders, and are expected to be announced in April.

Under the proposed model, the settlement baseline shifts from 5 years to 10 years, and to 15 years for Skilled Worker roles below RQF6. A five-year reduction may apply where a salary of £50,270 has been earned for three consecutive years prior to settlement.

The Isle of Man must decide whether to automatically replicate retrospective application, or seek discussions with the UK Government to explore transitional protection for a defined cohort already resident on the Island.

In a small, high-employment economy dependent on inward migration for workforce stability, retrospective extension carries materially different consequences than in the UK context.

### 1. Structural Context: UK versus Isle of Man

The UK reforms are framed within the context of historically high net migration, national fiscal debates and a labour market of over 67 million people.

The Isle of Man operates in a materially different structural environment:

- Population approximately 85,000.
- Without inward migration, the working-age population would contract.
- Ageing demographic reliant on healthcare stability.
- Unemployment approximately 0.6%, indicating near-full employment.

Policy instruments designed to moderate migration pressure at UK scale may produce opposite effects in a small, high-employment, skills-constrained economy. Any

consideration of retrospective implementation must therefore be assessed against the Island's distinct demographic, labour market and service-delivery realities.

## **2. How the Earned Settlement Model Works**

Current Framework:

- Skilled Worker: 5 years
- Ancestry: 5 years
- Family: 5 years (separate 10-year route exists)

Proposed Model:

- 10-year baseline for most work routes
- 15-year baseline for Skilled Worker roles below RQF6
- 5-year reduction if £50,270 salary threshold met for 3 years

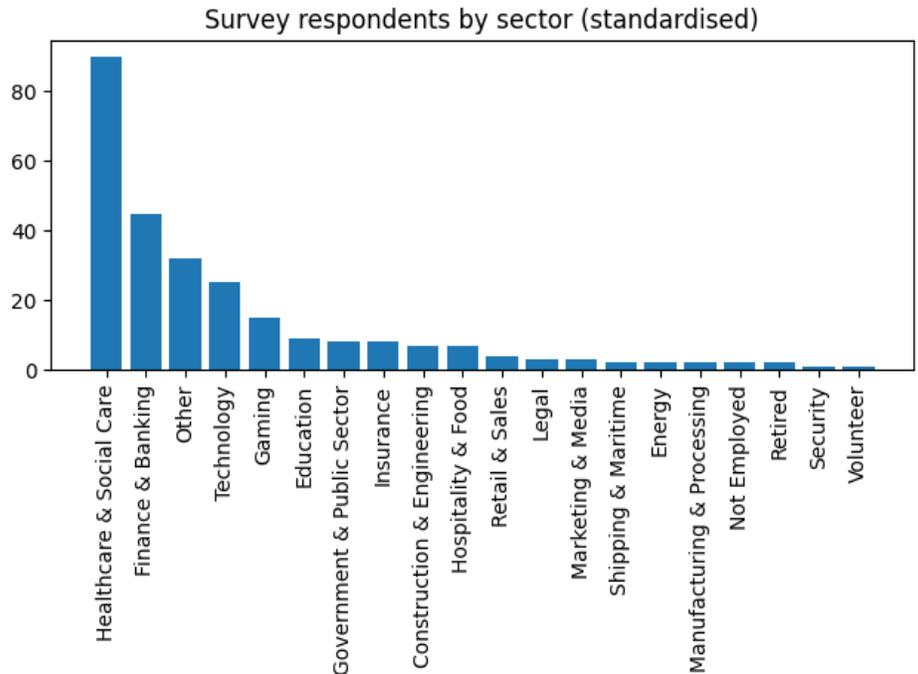
Retrospective application means individuals already mid-route may see their qualifying period extended to 10 or 15 years unless acceleration criteria are met.

## **3. Scale in the Isle of Man**

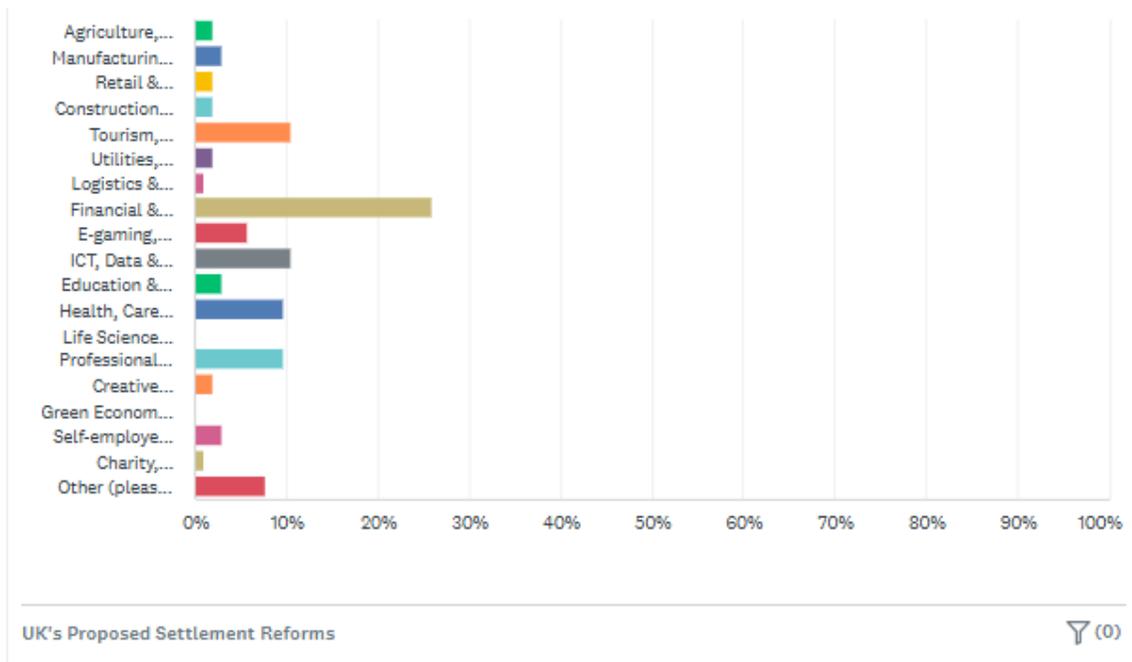
- Net inward migration (2021–Q1 2025): 2,227. Adjusted for household size (3 persons), approximately 742 visa-holding households.
- Community survey responses: 268 (statistically representative).
- Business survey responses: 103 employers.

## **4. Sectoral Exposure Across the Manx Economy**

Survey data from both the community survey (n=268) and the Chamber of Commerce business survey (n=103) demonstrates representation across core sectors of the Island's economy.



Source: Fair Settlement Isle of Man community survey (n=268), February 2026.



Source: Isle of Man Chamber of Commerce business survey (n=103), February 2026.

The data confirms material representation across:

- Healthcare and social care
- Hospitality
- Retail
- Financial services
- Construction
- ICT and professional services

The presence of financial services within the affected cohort is strategically significant. Financial services form a substantial component of the Island's GDP, tax base and international positioning. Exposure within this sector elevates the issue beyond labour supply into fiscal and reputational stability.

The exposure is therefore not limited to traditionally lower-paid sectors. It extends across high-value, regulated and strategically important industries.

In a labour market operating at approximately 0.6% unemployment, workforce uncertainty within even a subset of these sectors has amplified consequences. The implications must therefore be assessed not only at individual level, but at sectoral and macroeconomic level.

#### **5. Anticipated Impact**

- 73.1% of surveyed residents earn below £50,270, indicating limited access to salary-based acceleration.
- 84.3% of households report extended timelines would affect or may affect their ability to remain.
- 66% of employers report likely or uncertain retention risk, with 54.4% anticipating impact within six months.
- Even modest attrition (e.g., 5% of 742 households  $\approx$  37 households) would have disproportionate impact in a labour market operating at 0.6% unemployment, where replacement pools are limited and sectoral skills are specialised.

#### **6. Common Travel Area Considerations and Implementation Guardrails**

The Isle of Man operates within the Common Travel Area (CTA) framework, which provides for mutual recognition of lawful leave and coordinated immigration control across jurisdictions.

It is recognised that alignment with UK immigration policy is politically sensitive and operationally significant.

However, retrospective application of settlement qualifying periods is not a legal requirement of the CTA. The CTA requires recognition of lawful status; it does not mandate identical implementation timelines or transitional arrangements.

The policy question for the Isle of Man is therefore one of proportional implementation, not legal permissibility. The UK's objective is to recalibrate migration control at national scale. The Isle of Man's objective is workforce stability within a micro-economy. These objectives are not mutually exclusive but require calibrated implementation.

Any departure from automatic retrospective replication must avoid:

- Creating a structurally more favourable route for future arrivals;
- Incentivising relocation from the UK;
- Enabling cross-jurisdiction “stacking” to accelerate settlement;
- Undermining reciprocal immigration control.

To address these concerns, any transitional protection could be designed within the following guardrails:

**1. Closed cohort:** Protection would apply only to individuals lawfully resident in the Isle of Man before a defined cut-off date. No future entrants would benefit.

**2. Prospective alignment:** All individuals arriving after the cut-off date would align fully with the UK's revised baseline (10 or 15 years, as applicable).

**3. No stacking of post-reform UK residence:** Residence accumulated in the UK after the reform date would not be capable of reducing the Isle of Man qualifying period.

**4. No shorter structural pathway:** The Isle of Man would not create a settlement route shorter than the UK baseline for equivalent categories. The proposal concerns preservation of the original five-year expectation for those already mid-route only.

**5. Finite and self-expiring measure:** The transitional protection would naturally conclude as the defined cohort progresses through the system. It would not constitute an ongoing divergence.

A transitional safeguard designed within these parameters would:

- Preserve legitimate expectations for those already resident;
- Maintain prospective alignment with the UK;
- Avoid structural CTA divergence;
- Protect workforce stability in a small, high-employment economy.

This is not an immigration liberalisation measure. It is a tightly defined implementation safeguard.

## 7. Urgency

The UK consultation has closed. Public confirmation has been given that retrospective application will proceed. A formal policy announcement is expected in April, with legislation anticipated in Autumn 2026.

Once introduced, alignment pressure on the Isle of Man will follow quickly. If discussions with the UK Government are to occur, they must occur now.

**Policy Question for Members**

In light of the Island's distinct demographic structure, labour market conditions and sectoral exposure, should the Isle of Man automatically replicate retrospective application, or should it enter discussions with the UK Government to explore a tightly defined, CTA-compatible transitional protection for those already resident?