

The importance of Indefinite Leave to Remain (ILR) to London and its economy

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CONTEXT

Indefinite Leave to Remain (ILR) has been the subject of a number of recent policy announcements by both the Government and opposition parties.

The UK Government has recently announced proposals to increase the standard qualifying period for ILR from five to ten years, with some people qualifying sooner based on criteria through what has been termed a “contribution-based settlement model” where a person can “earn” a reduction in the number of years they must wait before they qualify to apply for ILR. This could include requirements such as earning salary of a certain threshold, not claiming benefits, speaking good English, having a clean criminal record, and volunteering. Some groups would also be exempt, such as those with status under the EU Settlement Scheme, Windrush scheme and Hong Kong BN(O) scheme. Exemptions are being considered for groups including victims of domestic violence. The Government is consulting on these proposals through its Earned Settlement consultation.

There are a range of proposals from opposition parties related to ILR. For example, the Conservative Party have set out proposals to restrict access to ILR, while the Green Party has set out proposals to reduce all routes to five years only and expressed concerns about the principles of earned settlement and citizenship. Reform have set out proposals to abolish the Indefinite Leave to Remain (ILR) status for all non-UK passport holders that hold this status.

This paper analyses the overall importance of ILR to London and its economy, and models the implications of policies that reduce, limit or end access to ILR.

KEY POINTS

- Indefinite leave to remain (ILR) is the legal term for permanent settlement in the UK. Londoners with ILR are legal residents in the UK without any immigration restrictions. They no longer have to apply for short-term visas, and can access the social security net, if they need it and are eligible for support.
- The Government has set out a range of policy proposals that will have an impact on ILR, including lengthening the time it takes to apply, preventing ILR holders from having recourse to public funds and increasing the thresholds that residents must meet to qualify.

- Opposition parties have set out a range of options, including the Conservative Party's proposals to restrict access to ILR, and the Green Party's proposals to reduce all routes to five years only. Reform have announced¹ they plan to abolish ILR if the party wins the next election.
- Non-UK nationals make a significant contribution to London's economy.
 - Non-UK nationals accounted for 42% of payrolled employments in London in December 2024, accounting for 1.98 million employments out of the 4.69 million total employments in London, up from 1.38 million out of 3.93 million 10 years earlier.
- While there is no dataset providing the number of individuals who have or may be eligible for ILR in London, estimates based on 2021 Census figures would suggest that anywhere between 526,000 and 627,000 non-UK passport holders who could meet these conditions were in employment at the time.
 - Using data on the productivity of each economic sector in London (gross value that is contributed to the economy per job), the estimated total economic contribution these individuals make per annum ranges from approximately £50 billion to £61 billion.

BACKGROUND

Overview of the recent proposals and their implications

Internationally, permanent residency is a common legal mechanism to ensure people continue to contribute to nations that need migrants. The UK's pathway to indefinite leave to remain is already more expensive and complex than most of our European neighbours with the application costing over £3,000. For migrant Londoners to move beyond indefinite leave to remain to naturalise as British currently costs £1,700. Removing or limiting access to ILR will disproportionality penalise migrant Londoners on lower incomes who cannot afford this naturalisation cost but continue to contribute to our city and can especially impact families with children.

At present, to be eligible for Indefinite Leave to Remain, migrants must generally have lived in the UK with valid immigration status for 5 or 10 years or longer depending on their visa route. They are generally subject to the no recourse to public funds (NRPF) condition during this period and required to pay high renewal fees for their temporary leave, which often includes an additional Immigration Health Surcharge. Applicants with a criminal record face particular barriers. Those eligible for ILR currently are therefore likely to have established themselves within the UK and have made significant contribution via payment of applications fees and taxes, without any access to state benefits or criminal record.

In May 2025 the Government published the Immigration White paper² which includes measures to increase requirements to be eligible for ILR, such as extending the baseline qualifying period of residency for all ILR applications from 5 to 10 years which would make settlement in the UK more stringent.

¹ [Reform plans to scrap indefinite leave to remain for migrants - BBC News](#)

² [Restoring control over the immigration system: white paper - GOV.UK](#)

Key proposed changes

- The baseline qualifying period for settlement will be increased to **10 years**
- This will then be reduced *or increased* based on an applicant's character, contribution, integration, residence, and immigration compliance
- There will be no access to public funds for non-citizens, including those with indefinite leave to remain
- Expanded mandatory requirements for ILR which require applicants to:
 - Have no criminal convictions or immigration breaches
 - Have no outstanding NHS, tax, or government debt (unclear if this includes student loans)
 - Speak English at B2 level (minimum) or volunteer
 - Earn at least **£12,570 per year for 3–5 years** prior to applying

The route to settlement will be longer than 10 years if they:

- Have been in receipt of public funds at any time since arrival
- Arrived in the UK illegally (e.g. via small boat/ clandestine) or on a visit visa
- Overstayed a visa for six months or more
- Hold a Health and Care worker visa – these individuals will now be required to complete a 15-year pathway to settlement
- Hold protection status as a refugee – these individuals will now be required to complete a 20-year pathway to settlement

The Government is consulting on potential reductions to the 10-year baseline route to settlement for vulnerable groups.

Certain exemptions have been outlined for groups including BN(O) status holders from Hong Kong, spouses and dependents of British citizens, status holders under EUSS and applicants via the Windrush Scheme.

- *Retrospective application*: Changes are proposed to apply to those already in the UK who have not yet obtained ILR.
- Dependents will no longer automatically qualify for ILR alongside the main applicant.

Meanwhile, Reform UK announced it would abolish the right of migrants to qualify for permanent settlement in the UK after five years. It would instead be replaced with a 5-year renewable visa that would need to be reapplied for with stricter visa rules including higher thresholds for applicants and advanced English language standards. The proposed visa will provide no eligibility to access state benefits. It is understood that under these proposals EEA nationals with status under the European Union Settlement Scheme (EUSS), migrants from Hong Kong and Ukraine would be exempt from these changes.

These announcements have resulted in widespread discussion of the role ILR plays in London's economy and society.

The importance of non-UK nationals to London's workforce

Proportion of workforce

There are several data to cite regarding the important role of non-UK nationals (of whom ILR holders are a subset) in the UK workforce. Non-UK nationals accounted for 42% of payrolled employments in London in December 2024, accounting for 1.98 million employments out of the 4.69 million total employments in London, up from 1.38 million out of 3.93 million 10 years earlier. In two industry sectors, non-UK nationals account for more than half of all payrolled employments: Hospitality (where they account for 63%), and Administration (55%).

Certain important sectors of London's economy continue to report shortages that are often filled by non-UK nationals. For example, in construction, London will need to recruit around 8,500 additional workers to meet demand over the 2025-2029 period. That's about an extra 2.2% of the current workforce, higher than the UK-wide figure of 1.8%. Many of those jobs will be in skilled trades and site-based roles (3,130) with professional and technical roles, and other office-based recruitment together adding another (3,640) and the balance (1,690) in manager and supervisory positions. Construction happens to be a sector that requires recruitment of non-UK nationals to operate effectively.

Because the improvements in these skills measures have taken place during a period where the non-UK workforce has grown strongly, the evidence does not rule out a return to skills shortages if the supply of foreign workers is curtailed, with significant implications for economic growth in London and the rest of the UK. This would be concerning given the recent national and London-focussed milestones being set for key delivery programmes in policy areas such as housing (i.e., delivering 88,000 homes in London per year over the next 10 years) and social care.

Economic impact of non-UK nationals who have or may be eligible for ILR

While it is difficult to isolate Londoners who hold or are eligible to hold ILR from existing datasets, we do know that according to the 2021 Census, there were over 526,000 non-UK passport holders who were not born in Europe and were in employment. The majority of these individuals work in Finance and Insurance, Services, Transportation and Construction.

We also have data on productivity (output per job) by economic sector in London. This data is only available to 2019, but if we were to assume that 2021 productivity data is equivalent to 2019 (which is plausible seeing as how 2020 productivity data would have shown a significant drop due to the COVID-19 pandemic followed by a near-total rebound in 2021), then we could determine the economic contribution of these individuals back in 2021. Using this method, the economic contribution of these 526,000 people in 2021 is between £50 billion and £55 billion. Put differently, this means that they add just under £5,800 per year per Londoner to London's total income.

Another estimate suggests that nearly 1 in every 9 Londoners (or 1.02 million) could be affected in some way by policies impacting ILR. This figure comes from 2021 census data which showed that 2.45 million London residents were born outside of the UK or EU, and of these: 1.43 million (58 per cent) held a UK passport, and 1.02 million (42 per cent) either held a non-UK passport (960k) or did not hold a passport (60k). It is worth noting that this figure includes those with ILR, those who may hope to receive ILR, their dependents, etc. It may also include a number of people that are eligible for a UK passport but have not applied for one.

With that in mind, we do know that 82% of the non-UK population were aged 16-64 according to the 2021 Census. We also know that London's employment rate is typically around 75% of the working-age population. Applying these two percentages to the 1.02 million figure gives us an estimate of 627,000 in employment, contributing roughly £61 billion annually to London's economy or approximately £6,800 per year per Londoner to London's total income.

Wider impact of ILR changes

Beyond potential economic impact of changes to ILR, there are a range of other factors that could have an economic and societal impact:

- Ending access to settlement could increase economic precarity and vulnerability to destitution. Settlement affords individuals with rights to access benefits, a system which the majority pay into through taxation for many years before they are entitled to this safety net. It also reduces barriers to accessing work, housing and other services where their temporary status in the UK can introduce risks of discrimination.
- Increasing the number of applications people need to make to stay in the UK, and ending rights to access settlement could lead to people falling out of status and ending up undocumented. Many people struggle to afford the fees and to navigate the complexity of the immigration system.
- Reducing access to settlement can increase churn within communities, as fewer people put down long-term roots in the UK and skills shortages would instead be filled by more short-term labour with fewer opportunities for long-term integration. This proposal will also impact on many British children whose parents are subject to the NRPF condition and may struggle to meet requirements for settlement.
- Settlement and citizenship are key measures of social integration, recognising the contribution that people have made over many years to the UK. Removing access to this, removes a key signifying and moment of celebration that recognises migrants.