Research Paper

Managing Labour Migration in Times of Crisis – The UK Case

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MANAGING LABOUR MIGRATION IN TIMES OF CRISIS
Recent trends and open issues in selected EU countries

THE UK CASE

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Abstract

The UK regime aims to bring in foreign skills from outside of the European Economic Area in order to ensure economic growth and international competitiveness. While UK labour immigration policy has traditionally been biased towards skilled foreign workers, this basic aim has become more emphasised over the past fifteen years. Foreign workers have also long found employment in low-skilled occupations in the UK. Indeed, the massive movement of A8 nationals after the 2004 enlargement and their employment in low-skilled work is the most recent example of the sourcing of workers for low-skilled jobs outside the formal labour immigration regime.

The UK labour immigration regime remains a demand-led one, in which the primary criterion for entry is a job offer. The Points Based System (PBS), introduced between 2008-9, represents an attempt to objectify decisions on the entry of foreign workers. The PBS is made up of 5 Tiers, four of which are for labour immigrants. The most used route of the system is the Intra Company Transfer route in Tier 2.

Evidence-based policy has become the byword of UK policymaking since Labour came into office in 1997. The historic opening to labour immigration in the early 2000s, the creation of the PBS and the recent re-introduction of restrictions on immigration are all ostensibly based on publicly available scientific evidence.

1. Introduction

During the past decade, the UK received historically high levels of net immigration and a larger proportion of labour immigration, as a result of strong economic growth and a liberal immigration policy. Since the mid-1990s, net immigration has exceeded 100,000 people per year, rising above 200,000 in some years since 2000. The largest inflows came from within the European Union (EU). On the accession of eight Eastern European countries (the A8) to the EU in May 2004, the UK, Ireland and Sweden were the only three member states to give workers from these states immediate unrestricted access to their labour markets. About 1.3 million A8 nationals arrived in the UK between May 2004 and May 2009; though it is estimated that about half left by the end of that period.

The British labour immigration system can be described as a hybrid system; it is historically demand-led and while supply-side schemes have been introduced over the past decade, they remain marginal. The work permit system, which granted work permits to a specific employer for a particular skilled foreign national for a specific job and has accounted for the majority of non-EEA workers entering the UK for work purposes, was introduced in the aftermath of the First World War. While it has been subject to many revisions, the basic principles underpinning the system have remained the same, at least until the rolling out of the new points-based system (PBS) in 2008.

During the Labour governments in office between 1997 and 2010 and the current Coalition government, in office since May 2010, the labour immigration system has been the object of constant reform. There have been three main phases of reform: phase 1 (1998-2004) involved liberalising and expanding the existing demand-led system, as well as introducing some new supply-side channels; phase 2 (2005-2008) was one of restructuring and consolidating previous policy innovations into a 'points-based system' (PBS), which aimed at better control of immigration and increased objectivity in admission decisions; and phase 3 (2009-) has
involved qualitative adjustments to entry criteria and quantitative restrictions on entry, both with the pronounced aim of reducing levels of non-EEA labour immigration.

The broad thrusts of policy have reflected a cross-party consensus based on shared views of Britain's rightful place in the global economy, the complexity of 'race relations' and public opinion on immigration. Indeed, a restrictive stance has dominated British labour immigration policy over the past half century and most stakeholders have supported this. The short-lived and much hyped liberalisation of labour immigration policy in the early 2000s was also largely supported by the main parties and stakeholders, including the trade unions, which were historically adverse to inflows of foreign workers (Krings 2009). The return to a more restrictive stance over the past five years has generally been viewed as a necessary response to what are perceived to have been excessive levels of inward migration over the past decade and to the economic downturn and rise in unemployment since 2008. Another aspect of continuity is the restrictive stance towards non-European immigration. Non-European immigration has been heavily restricted since the 1960s, while Irish and, following the UK's accession to the EU\(^\text{1}\) in 1973, nationals of most EU member states have benefitted from free movement (Somerville 2007). UK labour immigration policy has thus long held a European bias, despite the fact that it has stronger linguistic, and one could argue cultural ties, with ex-colonies such as India and Jamaica than it does with the rest of Europe bar Ireland.

In the late 1990s, British labour immigration policy underwent radical reform. Labour governments decisively broke with the previous policy regime, emphasising the contribution that economic migration can make to the economy. References to the need for skilled foreign workers, particularly for the booming ICT sector, emerged in 1998/9 in the Treasury, the Department for Trade and Industry (DTI) and the Cabinet Office, in the context of a general focus on increasing the UK economy's international competitiveness (Glover, Gott et al. 2001).

The new policy approach which developed was based around the concept of 'managed migration' as introduced in the 2002 Home Office White Paper 'Secure borders, safe havens: Integration with diversity in modern Britain' (Home Office 2002). Managed migration involves strong controls on unauthorised and non-economic migration, in particular asylum, and the facilitation of economic migration. This White Paper argued that “developed economies are becoming more and more knowledge-based and more dependent on people with skills and ideas. Migrants bring new experiences and talents that can widen and enrich the knowledge base of the economy” (Home Office 2002 p.11).

This change in approach to labour immigration can be explained by sustained economic growth, labour shortages and international human capital competitiveness concerns. Employers lobbied the government to open up to labour immigration, with high profile campaigns for high skilled foreign workers in sectors like ICT, and the trade unions preferred a managed system of labour immigration than irregular migration and work, which would result from a combination of restrictive policy and labour shortages. There was thus a consensus around opening up to regular labour immigration. Between 2000 and 2004, the work permit system was eased and new schemes were introduced for high and low skilled workers. The opening up to labour migration resulted in a rise in the number of work permits issued; work permit holders and their dependents increasing from 62,975 in 1997 to 137,035 in 2005 (Somerville 2007; Boswell 2008; Menz 2009).

Due to strong and sustained economic growth and the pervasive ideology of economic liberalism, introduced by the Conservative party in the late 1970s, the Labour government's

\(^1\) Then called the European Economic Community (EEC).
liberalisation of labour immigration to the UK did not immediately have to confront opposition from the political opposition or the media. Indeed, while there was some concern regarding the social impact of opening up to foreign workers, the economic arguments for immigration were accepted by the Conservatives.

The decision not to impose restrictions on the free movement of workers from the new EU member states on their accession on the 1st of May 2004 turned out to be the most significant decision taken by the Labour government in the arena of labour migration governance. In keeping with the traditional bias towards European immigration, the strategy was to fill low skilled labour needs with workers from the A8 and restrict non-EU migration to the highly skilled. Prior to the decision, the debate was focused on how many migrants would come and the potential for an increase in the welfare burden as EU citizens have the same rights to welfare as UK citizens.

The numbers were far greater than expected; between May 2004 and December 2006, 579,000 A8 migrants registered in the UK. The gradual return to a more negative, restrictive approach to labour immigration emerged in the aftermath of the enlargement with concerns regarding the impact of the large inflow of Eastern Europeans on local public services. The Conservative party criticised the government for underestimating the extent of migration from the A8 and for a lack of planning in terms of the impact on public services and local communities and proposed putting an annual cap on immigration. Public opinion polls generally showed an increasingly negative stance on immigration, with a majority preferring a reduction in inflows. Labour received particular criticism from the right wing tabloid press and a technocratic policy debate developed, with government opposition questioning the efficiency of the system and the accuracy of government research (Boswell 2009).

Immigration policy is always a balancing act between opposing interests. The Labour government was under pressure to give the appearance of better control over labour immigration, while at the same time giving employers the certainty that they could continue to source highly skilled migrants. As the government could not control inflows from the A8 – though it decided not to give labour market access to workers from Romania and Bulgaria, on their accession to the EU on the 1st of January 2007 - the main response to growing concerns regarding labour immigration was to reform the non-EEA labour immigration system. The role of the state was reinforced, while at the same time externalising some of the responsibility for decision-making and implementation in this area to outside experts, employers and agencies.

Labour's third term saw a major consultation on how to manage economic migration, the outcome of which was the PBS, which was rolled out from 2008 and which I discuss below in more detail. The PBS represents an attempt to maximise the economic benefits of immigration and to establish better government control over it by means of clear objective qualitative admission criteria. The new system was relatively well received by opposition parties and the main stakeholders and received relatively little attention in the tabloids.

The approach to labour immigration changed definitively, as the economic crisis set in in 2008. In that year, the House of Lords Select Committee on Economic Affairs published a report on the ‘Economic Impact of Immigration’, which argued against the positive consensus regarding the benefits of immigration. It maintained that there was a risk that too much migration would reduce incentives for training, and was contributing to the increase in housing prices among other problems (Devitt 2010). The Labour government began to make qualitative adjustments to the PBS in order to reduce inflows, for example strengthening the resident labour market test in 2009.
The far right made significant gains in European and local elections, however, the anti-immigrant British National Party did not achieve its expected breakthrough in the 2010 general election (Murray 2011). Indeed, just as Thatcher’s Conservative party won the 1979 elections, the Conservative party, which is now in a Coalition government with the Liberal Democrats, co-opted extreme Right votes in 2010 due to its tough line on immigration. In line with the Conservative electoral commitment, the government has introduced an annual cap on some categories of non-EEA economic migrants. In an apparent quid pro quo, the Liberal Democrats have accepted the more restrictive stance on numbers in return for an assurance that migrants’ rights are to be protected (Interview HL2).

As noted above, there seems to be a general acceptance of the Conservative ‘tough line’ on immigration among the main parties and stakeholders with little appetite to oppose the general thrust of policy. While the Labour and Liberal Democrat parties did not support the idea of a cap on non-economic labour inflows, qualitative restrictions appear to be less controversial. In any case, the changes introduced by the Conservatives are far less influential than might appear from the party rhetoric. Only a few employer associations, which are affected by the restrictions, in particular the ethnic catering industry, have been vociferously critical of the current policy. The trade unions have also tempered their pro-migrant perspective and have begun to put more emphasis on the need to upskill local workers (Interviews HO, BIS, BHA, TUC).

2. Admission policies for foreign workers: the institutional framework

Unlike many other West European states, where labour immigration was under the jurisdiction of Labour Ministries in the post-war period, the UK Home Office (HO) – the equivalent of European Interior Ministries - has been responsible for immigration since the 1793 Aliens Act. The Immigration and Nationality Directorate (IND) comprises around 80 per cent of HO staff. In Spring 2007, under Labour government, the IND was transformed into a separate executive agency, the Border and Immigration Agency (BIA), within the HO. This agency was renamed the UK Border Agency (UKBA) in Spring 2008 (Boswell 2008). The current Coalition government has since moved policy staff back into the HO, while operations remain in the UKBA (Interview HO).

The other main departments involved in the policy arena are Business, Innovation and Skills (BIS), the Treasury, the Department of Health (DH), the Department for Education (DE) and the Department for Work and Pensions (DWP). Since late 2007, a new actor has entered the debate, which has quickly become extremely influential. The Migration Advisory Committee (MAC) is an independent advisory committee of economists, which the government consults on specific questions related to immigration policy.

Prior to the introduction of the PBS in 2008, there were a number of schemes, which granted non-EEA workers temporary permits for employment in the UK; the largest of which was the work permit system. Non-EEA skilled labour migrants were granted work permits for skilled jobs with UK-based employers in particular locations. The prospective employer applied for the work permit to Work Permits (UK), which was part of the UKBA. The employer had to attest that the migrant worker would fill a genuine vacancy for an additional role being created in the UK, in order to ensure against the displacement of resident workers. Employers

2 Previously Business, Enterprise and Regulatory Reform and before that Trade and Industry.

3 ‘Work permits’ were granted if an immigrant was abroad and ‘first permissions’ were granted if the immigrant was already in the UK.
had to show that the role could not be filled from within the resident labour market (resident labour market test (RLMT)) and that the migrant would be paid the going rate (not just the minimum wage) for the job in the UK. Furthermore, within the work permit system a shortage occupation route allowed employers rapid access to foreign skills identified as being in short supply in the UK (MAC 2008).

While skills have always been important criteria for gaining entry to the UK as a labour migrant, the focus on skills has been further emphasised since the turn of the millennium. A Labour government policy innovation during the early 2000s, which has received much attention, was the introduction of supply-side points-based schemes. With the Innovator Scheme, introduced in the summer of 2000 and the Highly Skilled Migrant Programme (HSMP), introduced in December 2001, migrant workers gained access to the British labour market solely based on their skills.

The HSMP was a scheme for attracting highly skilled migrants without a specific job offer in the UK. Candidates had to reach 75 points based on the following attributes: qualifications; previous earnings; age; prior UK experience; and successful completion of an MBA programme from a specified list. The threshold for entry was eased over the years and numbers gaining entry grew from just over a 1,000 in 2002 to over 17,000 in 2005. A HSM would be granted a year’s leave and a three-year extension if they could show that they had taken all reasonable steps to become economically active in the UK. After four years they would be granted permanent residency if they could show that they were economically active. In the face of evidence of abuse of the programme, in 2006 the Government extended the required period of residence from four to five years and tightened the requirements for an extension of leave (Somerville 2007; MAC 2008).

In 2005, within the framework of the five-year strategy on immigration and asylum, the Labour Government launched a consultation on a more selective points-based system for immigration (Home Office 2005). The government aimed to create a system which would fulfil the following objectives: improve public confidence in the system; fill skills gaps; attract highly productive and highly skilled workers and students; attract investment and increase productivity and flexibility in the labour market; and ensure that people left at the end of their stay. In 2006, the Government published more detailed proposals in 'A Points Based System: Making Migration Work for Britain' (Home Office 2006). Explicitly based on the Australian points-based system, the key outcomes of the new system were to be better identifying and attracting of migrants who have most to contribute to the UK; a more efficient, transparent and objective application process; and improved compliance and reduced scope for abuse. The government also aimed to make the system simpler to use, as it had emerged that many users found the work permit system too complex and bureaucratic.

Between February 2008 and March 2009, the government rolled out the new PBS for admitting non-EEA workers and students, which was said to consolidate over 80 existing work and study routes into five main categories or 'tiers' (see section 3 for details).

3. Qualitative versus quantitative criteria

3.1 Qualitative selection

The UK labour migration system has always been based on qualitative selectivity; both the skill of the migrant and the wage of the job being criteria for issuing work permits to foreign workers. This was based on the historic tradition of importing key skills from the British
Empire and Commonwealth, notably for the health and education sectors, and the assumption that skilled well-paid foreign workers were less likely to displace resident workers. The qualitative criteria for admission have been subject to revisions over the years with the aim of easing or increasing restrictions on inflows. More recently, the system was translated into the PBS in which a minimum threshold of points must be met based on various qualitative criteria including wage, skill, linguistic competence and maintenance funds.

The criteria for admission under the various tiers of the PBS have been the object of almost constant reform. I present the system as it was initially set out as well as the qualitative reforms made to it by the Labour government (between 2008 and 2010) and the current Coalition government.

• **Tier 1**: Highly skilled migrants to contribute to growth and productivity. The 'entrepreneurs' category must have at least £200,000 of disposable capital in a regulated financial institution; 'investors' must hold at least £1,000,000; 'graduate students' must have a qualification from a UK institution.\(^4\) The 'general highly-skilled'\(^5\) are admitted on the basis of points for age, qualifications, previous earnings (weighted to reflect the distribution of salaries around the world) and previous work experience or qualifications gained in the UK, English language ability and maintenance requirements. This category replaced the Highly Skilled Migrants Programme. Entrants under this category have unlimited labour market access, and are allowed to bring dependents with them. After a two-year period, the points will be re-assessed and, if the person has high earnings or a highly skilled job, they will have their leave extended. For recent reforms to this category, see section on quantitative selection below.

• **Tier 2**: Medium and highly skilled workers with a job offer. This tier replaces the work permit system and covers the majority of skilled migrants entering the UK. See the Tier 2 focus section below for details on this tier.

• **Tier 3**: Quota based low-skilled schemes for filling specific temporary labour shortages. This tier is currently suspended based on the view that A8 nationals currently meet demand. The schemes will only be with countries with which the UK has effective return arrangements. Two low skilled labour schemes, the seasonal agricultural workers scheme (SAWS) and the sector-based schemes (SBS) remain open to Romanian and Bulgarian migrants, who do not yet have unrestricted access to the UK labour market.

• **Tier 4**: Students, covering the period of study at a specified and registered institution in the UK.

• **Tier 5**: Youth mobility and temporary workers, permitted to work for a limited period of time, for primarily non-economic objectives. This covers the previous Working Holiday-Maker scheme, as well as the au pair scheme. These migrants gain entry for cultural, charitable, religious or international development reasons or to satisfy the UK’s obligations under certain international treaties.

Employers are requested to meet certain conditions before hiring non-EEA workers. Employers and educational institutions must apply to a register of sponsors to acquire a certificate of sponsorship from the Home Office (except under tier 1, where immigrants do not gain admission for a specific job). Recognized sponsors are attributed either “A-rated” or “B-rated” sponsor status, based on their compliance with various reporting and record-\(^4\) This post-study route ceased to exist from April 2012.
\(^5\) This general route was substituted with an ‘exceptional talent’ route in 2011.
keeping duties. Certificates can be withdrawn based on non-compliance. A-rated sponsors have the “full confidence” of the Home Office, while sponsors are B-rated based on evidence of abusing the system or not putting the correct systems in place. The B-rating is a temporary status while measures are put in place in order to gain full accreditation. Unlike the previous work permit system, the migrant, rather than the UK employer, applies to come to the UK. The sponsor issues the certificate of sponsorship to the migrant worker, who then makes an application via the points-based system.

In April 2012 the UKBA launched a new two-tier premium customer service programme which offers sponsoring employers an enhanced level of customer service for a fee. To qualify for premium service, an employer must be A-rated and have received no civil penalties in the preceding three years.

To qualify for each tier, individuals must earn a given number of points. Points are awarded through different combinations of “attributes tests” such as English language, skills, qualifications, previous salary, age and a “control test” regarding the likelihood of compliance with conditions of leave, such as availability of funds, compliance with immigration conditions, and, for tiers 2-5, a recognized sponsor. For tiers 1 and 2, points are awarded on the basis of attributes and control tests, for tiers 3-5, points are solely based on control tests.

The UK PBS can be described as a hybrid demand-supply-led system. Tier 1 is supply-led, as applicants are not required to have a job offer in the UK. However, Tier 2, the largest route of entry is largely demand-based as a job offer is required and provides the most points. The other tiers are only nominally points-based (Murray 2011).

**Tier 2**

The majority of non-EEA labour migrants are admitted through Tier 2. Tier 2 migrants are entitled to three years leave in the UK, which can be extended by two years if the migrant still meets requirements. Points, with an overall pass mark of 70, are awarded for a sponsored job offer, prospective earnings (and qualifications or equivalents until April 2011), as well as the maintenance requirement and competence in English.

Following changes introduced by the current Coalition government, Tier 2 is now divided into four routes: **Tier 2 general**, which includes the shortage occupation list and the Resident Labour Market Test (RLMT), **Intra-company transfer (ICT)**, **Sportspeople** and **Ministers of Religion**. Qualitative changes to have been made to the points criteria by the Coalition government in order to reduce the number of applicants; raising the job skill threshold first to National Qualifications Framework (NQF) level 4 (diploma level) in April 2011 and then to NQF level 6 (graduate/professional certificate level) in June 2012, raising the language requirement for entry from basic to intermediate English and raising the minimum pay threshold to £20,000. A significant change from the previous rules is that the qualifications of the migrant are no longer assessed, only the skill level of the job.
Table 2: PBS Tier 2 general

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Points available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assigned a certificate of sponsorship, because:</td>
<td></td>
</tr>
<tr>
<td>1. the job has an annual salary of £150,000 or more;</td>
<td>30</td>
</tr>
<tr>
<td>2. the job is on the shortage occupation list;</td>
<td></td>
</tr>
<tr>
<td>3. your sponsor has completed a resident labour market test;</td>
<td></td>
</tr>
<tr>
<td>4. you are switching from a post-study category;</td>
<td></td>
</tr>
<tr>
<td>5. or you want to extend your stay and continue working in the same job for the same employer</td>
<td></td>
</tr>
<tr>
<td>Appropriate salary and allowances: Minimum £20,000</td>
<td>20</td>
</tr>
<tr>
<td>English language ability</td>
<td>10</td>
</tr>
<tr>
<td>Maintenance (funds)</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: UKBA website

With the increase in minimum skill levels, 27 occupations will no longer qualify. To lessen the impact on employers, Tier 2 will remain open to NQF 4 occupations that appear on the UK’s Shortage Occupation List and to various occupations in creative fields, such as artists, authors, actors, dancers and designers.

ICTs accounted for 60 per cent of applications under Tier 2 between November 2008 and May 2009. The RLMT accounted for 32 per cent, while shortage occupations accounted for just 8 per cent. The MAC is charged with drawing up shortage occupation list, to be reviewed at six monthly intervals. The committee uses a three-stage approach in drawing up the shortage lists. First they determine whether particular occupations or categories of jobs are sufficiently skilled to be included on the lists. Second they assess whether these occupations are experiencing a shortage. Third, they consider whether it is sensible to fill these shortages with non-EEA workers. The MAC uses both 'top-down' quantitative national-level data and qualitative 'bottom-up' evidence relating to particular jobs or sectors from individual employers and sectorial/occupational representatives.

The RMLT is the second largest channel within Tier 2 of the PBS after the ICT route. This route already existed under the work permit system. It is notable that the test was more stringent under the work permit system than it is under the PBS. Previously, the RLMT involved providing Work Permits (UK) with documentary evidence that no resident worker could be found for the vacancy, including details of the vacancy, the recruitment methods used to advertise the post, responses to advertisements, an explanation for why the resident workers who applied were deemed inappropriate,\(^6\) as well as showing how the requested foreign worker had the necessary skills and experience for the job. The job had to be advertised in English and in a publication that was available throughout the EEA, no more than six months before the work permit application was submitted. The process of attempting to recruit an EEA resident worker was to be given four weeks.

Within the PBS RMLT route, employers were initially required to advertise the vacancy for at least two weeks, at earnings levels deemed reasonable by the UKBA for that job. For jobs

\(^6\) Resident workers could only be judged on the basis of the skills requested in the advertisement.
paying in excess of £40,000 the advertising period was reduced to a single week. In December 2009, the advertising period was increased to four weeks through the public employment services, Jobcentre Plus and through another channel as set out in a sector 'code of practice'. However, the sponsor must simply attest to the UKBA that the test has been conducted and does not need to show evidence unless s/he is the subject of an infrequent spot check.

Since June 2012, RLMT requirements have been eased for the highly paid (over £70,000 per annum) and select PhD positions. For example, for these positions, employers will no longer have to advertise in Jobcentre Plus (public employment agency, which mainly caters for low-skilled positions).

Unlike under the work permit system, there is no requirement for employers to confirm that the ICTs have company-specific knowledge and experience required for the post on offer that could not be provided by a resident worker. The requirement for six months’ previous employment with the company is held by the UKBA to be a proxy for this. In response to complaints that the ICT route accounts for most entrants within Tier 2 due to the relatively lax restrictions, the Coalition government has introduced a new minimum salary of £40,000 for firms using ICTs for more than a year. Staff earning at least £24,000 will still be able to come for up to 12 months.

Tier 2 differs from the old work permit system in various ways, in particular the inclusion of English language competence, the role of the MAC in defining shortage occupations and the easing of the ICT and RLMT routes (House of Lords 2008).

3.2 Setting qualitative criteria

As noted above, in June 2007, the government established the MAC, an independent advisory committee of five economists headed by Professor David Metcalf, Emeritus Professor of the London School of Economics. The MAC was to some extent modelled on the Low Pay Commission, which makes recommendations to government on the minimum wage level (Interview MAC). The committee includes a representative from the UK Commission on Employment and Skills (UKCES) and the UKBA and has a permanent secretariat. The MAC was set up to provide 'transparent, independent and evidence-based advice to the Government on where shortages of skilled labour can sensibly be filled by immigration from outside the EEA' (MAC 2008 p.11). Despite the Conservative Party’s ‘bonfire of the quangos’, the remit of the MAC has continued to be expanded by the Coalition government. The remit is now rather broad; for example, over the past four years, the committee has been asked to assess the economic impact of dependents, whether to abolish the Worker Registration Scheme for A8 migrants and what the limits should be on non-EEA skilled worker inflows.

The MAC is generally given three to six months to respond to government questions and its response is generally based on academic research and a formal consultation process. The government decides whether or not to take on board MAC recommendations; however, the majority have been adopted. The consultation documents and recommendations are all available to the public on line; which makes the process transparent. The economic rationale used by the MAC in making recommendations, makes for clear, apparently unbiased, arguments.

The MAC does not work in isolation; however, members underline its independence from political influence. The MAC secretariat is physically based within the Home Office building.
and informal discussions between Minister, Home Secretary, Home Office officials, MAC economists and officials regularly take place.

The Migration Impacts Forum (MIF) set up by the Labour government to focus on the impact of immigration on local communities and public services, in particular on crime and housing, failed to institutionalise itself. It did not meet after June 2009 and has been disbanded by the Coalition government.

3.3 Quantitative limits

The UKBA consultation on the ‘Limits on Non-EU Economic Migration: A Consultation’, published at the end of June 2010 asserted that the government’s aim was to reduce net migration to the “tens of thousands, not hundreds of thousands” during this Parliament. The target of tens of thousands is based on the level of immigration in the 1990s, prior to when Labour were in office. The government has explicitly based its new quantitative approach to immigration on policy in Australia, Canada and the US (Murray 2011).

Restrictions on intra-EU mobility, family and asylum migration as well as ICTs are constrained by EU membership, human rights law and international treaty obligations. Furthermore, non-EEA labour and student inflows are not easily reduced due to influential interests, namely employers and educational institutions. The government is focusing on restricting three inflow channels for non-EEA nationals - work, study and family - and increasing outflows of non-EEA nationals by taking away the automatic right to settle in the UK for those resident for more than five years.

As regards non-EEA labour immigration, the coalition government introduced an interim cap in July 2010 of just over 24,000 until April 2011 - a reduction of 5 per cent on the previous year - and asked the MAC “at what levels should limits on Tier 1 and Tier 2 of the Points Based System be set for their first full year of operation in 2011/12, in order to contribute to achieving the Government’s aim of reducing net migration to an annual level of tens of thousands by the end of this Parliament, and taking into account social and public service impacts as well as economic impacts?” (MAC 2010 p.7). In their report, published in November 2010, the MAC provided a general analysis of the impact of labour immigration - not Tier 1 and Tier 2 migrants, on which there is no data - on the UK economy, society and public services. This analysis did not appear to be directly related to the calculation of the figure for the cap, which was based on the 'tens of thousands' target. As students accounted for around 60 per cent of non-EEA immigration in 2009 and the work and family routes accounted for approximately 20 per cent each, the MAC recommended a proportionate cut in numbers; for Tier 1 and Tier 2 a limit somewhere in the 37,400 to 43,700 range.

However, government set the cap at 21,700 – 20,700 for Tier 2 and 1,000 for Tier 1 - far below the MAC recommendation. This annual cap on Tier 1 and Tier 2 entries came into operation in April 2011. ICTs are not subject to the cap, despite the MAC recommendation to the contrary, due to the employer lobby, in particular MNCs, and diplomatic pressure from the Indian and Japanese governments (Interview MAC). The government also decided to close Tier 1 (General) category and limit the Tier to investors, entrepreneurs, and people of “exceptional talent.” The exceptional talent route is capped at 1,000, while investors and

7 The analysis took into account the impact on Gross GDP and GDP per capita, inflation, pay, employment, net fiscal contribution, provision and consumption of public services, housing market, crime, congestion, social cohesion and population.
entrepreneurs will not be capped. Business had made it clear in the UKBA consultation that they were in the main interested in Tier 2 and government further justified the closure of Tier 1 general by referring to a UKBA survey of some Tier 1 migrants applying for family reunion in June 2010, which argued that about a third of Tier 1 migrants are employed in low skilled jobs (Interview HO). The Tier 2 limit will not apply to those who apply from within the UK (in-country applicants), dependents or to the sportspeople and ministers of religion routes. Those who will earn over £150,000 per annum are also excluded from the cap. Tier 2 permits are issued on a monthly basis. If a month’s allocation is oversubscribed, the government will use a ranking system to determine which applicants receive a permit, based around the shortage list, qualifications and prospective earnings. The cap on Tier 1 and Tier 2 entries was expected to reduce net migration by 6,000 or less than 3 per cent compared with 2010.

The cap on some Tier 1 and Tier 2 routes introduced in April 2011 was substantially undersubscribed. In the first five months of the cap, which releases Certificates of Sponsorship (CoS) to employers of non-EEA workers on a monthly basis, a total of 10,200 certificates were made available, but only 4,323 were applied for by employers. The annual cap on Tier 2 will remain at the level of 20,700 for 2012-13 and 2013-14. The UKBA introduced a two-year cap cycle based on feedback from employers, who asked for fewer and less frequent policy changes.

4. Matching labour offer and demand

Apart from the 1,000 entries under the ‘exceptional talent’ route of Tier 1, non-EEA labour migrants enter the UK on the basis of a job offer. Recruitment takes place in countries of origin and in the UK. Most migrants are recruited abroad, though over one-third of certificates of sponsorship used under Tier 2 have been for immigrants already in the UK.

In-country applicants include those with an existing work permit applying to extend their stay, as well as those who are switching from a post-study category. In-country applications (i.e. applications from non-EEA migrants already resident in the UK) are not subject to the constraints of the cap. A high proportion of those applying from abroad are ICTs (MAC 2009).

There is no requirement for employers to recruit via public or private intermediaries and agencies cannot act as sponsors. The role of private agencies depends on the sector and occupation. For example, while the recruitment of doctors for the UK's National Health System (NHS) is centrally coordinated by the Department of Health and recruitment specialists play a limited role (as many doctors draw on personal contacts and the examination and registration process is clear), NHS trusts and the private health sector often use recruitment agencies in sourcing nurses (Bach 2008).

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8 A MAC survey of December 2009 found that 90 per cent of entrants via the Tier 1 general route were in employment and 90 per cent of these were in highly skilled work MAC (2009). Analysis of Points Based System Tier 1. Croydon, Migration Advisory Committee.
5. Functional equivalents to foreign migrant labour admission

5.1 A8 workers

A8 workers have been the main 'functional equivalent' to non-EEA low-skilled labour migrants in the UK since 2004. In the context of sustained economic growth in the early 2000s, it was decided to source low-skilled labour needs from within the expanding EU. This choice was very much in keeping with UK labour immigration policy, which has traditionally favoured European immigration. The UK, Ireland and Sweden were the only EU member states to grant immediate labour market access to nationals of the A8 on their accession to the EU on 1 May 2004. The UK and Ireland received a disproportionate number of A8 migrants, partly due to their flexible labour markets and proliferation of low-paid, low-skilled employment (Tamas and Münz 2006; Devitt 2010).

A8 nationals can work in any occupation in the UK. They are simply requested to register with the Workers Registration Scheme (WRS), which was introduced in the UK as a transitional measure, which monitors A8 nationals’ access to the UK labour market. The registration scheme collects information about A8 migrants' employment in the UK until 12 months of continuous employment have elapsed. The A8 migrant must pay a one-off registration fee.

As noted above, the numbers of A8 migrants entering the UK following accession was far greater than expected. A total of 1.24 million National Insurance numbers were allocated to A8 nationals between April 2004 and September 2008. The evidence tends to suggest that A8 migrants often stay in the UK for a temporary period before returning home. They are generally young, educated and are gainfully employed in the UK. Indeed, they have higher employment rates than UK-born workers.

A8 workers have filled low-skilled labour shortages (as well as taking up newly created jobs in the expanding economy) and are often over-qualified for the work they engage in. Over three-quarters of A8 migrants are employed in lower skill occupations, compared to less than half of UK born workers and other immigrants. They are mainly employed in elementary occupations and process, plant and machine operative occupations. The main sectors of employment for workers registering with the WRS in 2008 were hospitality and catering, agriculture, manufacturing and food processing. A8 migrants are distributed across the country in both urban and rural settings; they are disproportionately resident in areas like Wash and Herefordshire (Anderson, Ruhs et al. 2006).

Member states could only maintain transitional measures beyond the 1st of May 2009 (five years following the 2004 accession) if they could demonstrate that their removal could generate or exacerbate a serious disturbance to the domestic labour market. On the basis of a MAC recommendation, the UK government chose to retain the Workers' Registration Scheme (MAC 2009). Labour Force Survey (LFS) data suggests that the stock of A8 citizens decreased slightly towards the end of 2009, but began to increase again during the second quarter of 2010 (Vargas-Silva 2011).

UK governments took a different stance on the accession of Romania and Bulgaria to the EU in 2007; transitional arrangements were placed on the access of nationals from these states to the UK labour market, based on the fact that larger than expected numbers had arrived from the A8 and a decline in demand for low-skilled labour (Interview MAC). Romanian and
Bulgarian nationals are, however, prioritised in terms of sourcing additional temporary low-skilled labour in the agricultural and food-processing sectors as discussed above in section.

5.2 Family migrants

The number of work permit holders given leave to enter the UK in 2006 was 97,000. The total number of National Insurance numbers issued to foreign nationals from outside the EEA in the same year was 289,000. The difference between the work permit numbers and National Insurance numbers is explained by the fact that the latter covers workers on the Highly Skilled Migrant Programme (new Tier 1), the self-employed, working holidaymakers, students working part-time and dependants of migrants eligible to work without a permit, among other non-economic migrant categories (MAC 2008). This data shows the importance of ‘functional equivalents’ to labour migrants in the UK, indeed, a larger number of non-EEA migrant workers enter via non-labour migrant routes than the work permit channel.

An important source of functional equivalents to non-EEA labour immigrants are non-EEA labour migrants’ spouses/partners. Allowing the employment of PBS migrants' spouses/partners provides employers with additional labour and reduces demand for an opening of Tier 3 of the PBS for temporary low-skilled workers.

Dependants (children, spouses, civil partners, same-sex partners, and unmarried partners) can participate in the labour market provided that the PBS immigrant has been granted more than 12 months' permission to stay in the UK. However, there is a prohibition on undertaking employment as a doctor in training and family members of Tier 4 immigrants granted less than 12 months’ leave to enter or remain are not allowed to work.

There is a lack of data on dependants’ participation in the UK labour market. According to Control of Immigration statistics, in 2007, 37,700 dependants of work permit holders were admitted to the UK, while 86,300 entered with a work permit. The majority of dependants were connected to permit holders from wealthier countries. Most dependants have come through Tier 1 and 2 of the PBS, in particular Tier 1 general and Tier 2. According to the 2008 Q1 ad hoc LFS module, in the second quarter of 2008, 27.3 per cent of the total immigrant stock had entered the UK in the previous five years to join a family or spouse; a larger percentage than those entering for work or study or any other reason. Between 80 per cent and 92 per cent of Tier 1 and Tier 2 dependent spouses/partners are female.

The MAC maintains that LFS data on qualifications held by immigrants are highly unreliable. Based on this data, it appears that 17 per cent of spouses/partners have a bachelor's degree and over 50 per cent of spouses/partners maintain that they have 'other qualifications' (i.e. not PhD, master's, bachelor's, A levels, NVQ3). Equally, the evidence on spouses/partners' jobs is weak. It appears that the employment rates of spouses/partners falls following migration to the UK. LFS data record that 59 per cent of spouses/partners were employed, while 33 per cent of spouses/partners were inactive and 9 per cent were seeking work. 81 per cent of spouses/partners were employed in unskilled occupations, compared with 38 per cent of principal immigrants and 26.8 per cent were employed in personal service jobs.

In the context of rising concern regarding unemployment and displacement of resident workers with migrant workers, the MAC was asked to assess the economic contribution made by the dependants of PBS migrants and their role in the labour market in February 2009. In its report in August of that year, the MAC maintained that there was no reason to conclude that
greater restrictions on working rights for dependants would lead to improved outcomes, either for UK workers or for the UK economy (MAC 2009).

5.3 Foreign students

Since around 2007, student migration has constituted the largest category of migration to the UK. Foreign students are another source of labour in the UK, which is effectively a functional equivalent to labour migrants. However, a smaller proportion of them participate in the labour market than family migrants. Note that asylum-seekers do not have access to the labour market in the UK.

According to LFS data, only about 1 in 4 foreign-born students (both EU and non-EU nationals) have paid employment. This percentage has not increased over the past 15 years; the figure has been between 22 per cent and 29 per cent since 1995 (observatory on students). It is important to note, however, that LFS data probably undercount students, especially those living in dormitories and other communal dwellings.

In 2009, 75 per cent (156,000) of student inflows were from outside the EU and over the past few years there have been sharp increases in inflows from the Indian sub-continent and the Middle-East and rest of Asia. Just over half are male. Over half are in universities with another 40 per cent in Higher Education or Further Education institutions. Only 7 per cent are in English language schools (Blinder 2011).

Concerns over abuse of the system prompted the Labour Government to introduce a number of changes, including restricting the work rights of students on courses below degree level and raising the minimum level of English language study permitted under Tier 4. Without seeking the approval of UKBA, students on a course at or above NQF 6/QCF 6/SCQF 9 at a UK higher education institution, or a short-term study abroad degree programme at an overseas higher education institution, are allowed to work for up to 20 hours per week during term time and work full-time during vacations, while those on a course below this level at a UK higher education institution or publicly funded further education college are allowed to work for up to 10 hours per week during term time and work full-time during vacations. Students are not allowed to work in the UK if they are studying with an education provider that is not a UK higher education institution or a publicly funded further education college (unless they are on a short-term study abroad degree programme at an overseas higher education institution). However, the 2009 LFS suggests that there is significant working in breach. For those studying below degree level, 53 per cent reported working more than 21 hours per week (UKBA 2010).

In March 2011, following a public consultation on the student immigration system, the Government announced that the Tier 1 (Post-study Work) visa category would close from April 2012. The Post-study work visa enables foreign students to remain in the UK for up to two years after obtaining a UK degree. If they find skilled or highly skilled work during the two years they can ‘switch’ into Tier 1 or Tier 2 of the points-based system, which can lead to permanent settlement. After April 2012, international graduates will only be able to remain in the UK by ‘switching’ into Tier 2 of the points-based system or if they have a strong business proposition (under new provisions for ‘student entrepreneurs’).
5.4 Undocumented foreign labour

Estimates for the irregular migrant population in the UK range between 417,000 and 863,000; comparatively high figures in terms of Western Europe. London is argued to be home to a large proportion of the total (Somerville, Sriskandarajah et al. 2009; Vollmer 2011). Migration scholars often argue that irregular foreign workers are a functional substitute to legal labour immigration as they represent cheap, vulnerable labour and allow governments to give the impression of an apparently restrictive labour immigration policy (Guiraudon and Joppke 2001).

However, the political attitude towards undocumented migrant labour has become less tolerant over the past decade in response to security and human rights concerns. Regarding the latter, the death of twenty-three Chinese cockle pickers in Morecambe Bay in February 2004 was a key focusing event which emphasised the need to create channels for safe legal labour immigration – namely providing access to workers from the A8 – and to enforce controls on undocumented immigration. Indeed, the level of interest in contrasting undocumented immigration and the employment of undocumented migrants is in stark contrast to attempts to reduce illegal work in general (Scott 2007; Ruhs and Anderson 2008).

Despite the fact that the majority of irregular migrants in the UK are visa over-stayers, the UK has traditionally emphasised border control in contrasting undocumented immigration, as opposed to internal controls. However, biometric identity cards for non-EEA nationals working in the UK for six months or more have been rolled out from 2008 onwards in order to aid employers and the authorities in checking residence and work status (Boswell 2008). As sponsors, employers are obliged to keep records of their migrant workers and inform the UKBA if the latter do not turn up for work or even if they change their mobile number. The UK has also increased the penalties for employing undocumented migrants, with fines of £5,000 per illegal employee and enforcement appears to have been reinforced (Somerville, Sriskandarajah et al. 2009).

In the main, the Conservative and Labour parties are against the idea of regularisation while the Liberal Democrat Party is generally the most open to it. At the same time, the government has regularized between 60,000 to 100,000 people over the past decade by means of administrative changes and ad hoc decisions. Those regularized have tended to be in the country for 13 years or more (seven if in a family), and are often failed asylum seekers (Boswell 2008; Somerville, Sriskandarajah et al. 2009).

6. The external dimension of labour migration policies

The UK government is not a member of the Schengen Area and negotiated an “opt in” arrangement for all areas of cooperation on borders, immigration and asylum under the 1997 Amsterdam Treaty. While the UK seeks cooperation in the control of undocumented immigration and asylum system harmonisation, the policy has been to protect national sovereignty in the area of labour immigration management and integration.

Based on a concern with maintaining control over its borders, the UK has opted out of any measures on legal immigration (Boswell 2008; Menz 2009). As a result, EU policy-making in this area is not on the radar of UK policymakers and stakeholders. The Conservative Party has a strong anti-EU element, which may use the current negative public sentiment towards A8
immigration – which cannot be restricted by the UK government - to further their cause of exiting from the EU (Interview HL1).

UK labour migration policy is in the main not based on bilateral agreements with source countries. However, Tier 3 of the PBS, which is currently suspended, will allow for temporary low-skilled labour migration from source countries which have signed return agreements with the UK; this is a similar policy to the Italian one, which offers labour migration entry quotas to key source countries on the condition that they readmit undocumented migrants. Another programme, which is based on international agreements, is the Youth Mobility Scheme within Tier 5. This scheme replaces the Working Holiday scheme and is for young people from participating countries who would like to come and experience life in the UK. The countries currently involved in the scheme are Australia, Canada, Japan, New Zealand and Monaco; “low risk” countries, with which the UK has return agreements and which offer the UK a similar scheme (Interview HO).

The General Agreement on Trade in Services (GATS) is the first binding multilateral trade agreement to explicitly address the movement of persons. GATS Mode 4 service suppliers gain entry for a specific purpose, are normally confined to one sector and are temporary. Mode 4 commitments have priority in any national labour migration considerations. An EU/India Free Trade Agreement is currently being negotiated, and the key aspect demanded by India is 'Mode 4'. The UK is expected to be the main recipient of Indian mode 4 migrants, about 25,000 out of a total of about Indian 40,000 ICTs who will be able to come to Europe. This has caused a certain tension between government aims of promoting UK trade interests and reducing levels of immigration (Interviews HO, MAC, TUC).

7. Strengths and weaknesses of the UK labour migration regime

In order to measure the effectiveness of labour immigration governance systems, we can attempt to assess whether they are in meeting set goals. These goals include responding to the needs of clients – employers, migrants and the resident labour force as well as public opinion – ensuring compliance with immigration regulations and responding to broader socio-economic goals, such as increasing productivity and investment levels. In the case of labour immigration policy, different clients’ interests are often in complete opposition (i.e. employers and the resident labour force). Furthermore, the meeting of some objectives (e.g. migrants’ contribution to increasing productivity) is harder to assess than others (e.g. the objectivity of the admission system).

The PBS is widely viewed as an efficient system for admitting non-EEA labour migrants. A HO survey of PBS users published in January 2011 found that satisfaction was high among both applicants and sponsors; around 8 out of 10 applicants and sponsors were very or fairly satisfied with the process. The same proportion maintained that the PBS was meeting its objectives of being easy to understand, open/ transparent, user-friendly, efficient and fair. Of those applicants and sponsors who had experience of previous immigration systems, they generally believed the PBS was an improvement on those systems (Home Office 2011). A HO official maintained in October 2011 that after a natural teething period, employers have come to prefer the PBS to the previous system, due to its objectivity; “Nobody likes change so it has taken a while, but I think employers prefer the PBS, it’s more objective so you don’t have a person in Sheffield saying ‘hum I don’t like you and I don’t see why you should come here’, which is what could happen in the work permit system. Under this system the employer issues the potential employee with a certificate of sponsorship, which contains all the information on
the job, the applicant submits supporting evidence and if everything is in order and if the person doesn’t have a poor immigration history, then that person is in” (Interview HO). A BIS official was equally positive about the system; “What's clear to me is there is no such thing as a perfect system because of the variety of needs in terms of business, the variety of skills and salary levels, there is such a range of them that the PBS seems to go a considerable way to addressing the disparities between for example research where you've got high skills but perhaps salaries which don't compare at all to the private sector. No, it's not perfect and we're always working with different areas of business to make sure that their specific areas are not damaged by the fact that it’s not nuanced enough without creating a system which becomes so complex because we have to balance the system with UKBA's focus on controlling borders” (Interview BIS). A recent House of Commons Public Accounts Committee report also maintained that decisions are reached more quickly than under the work permit system (Public Accounts Committee 2011). However, in the above-mentioned HO survey, applicants were evenly split over whether the PBS was faster or slower than pre-PBS routes.

Furthermore, according to the same Public Accounts Committee, applicants to the PBS have needed more support than expected in understanding how the system works, with half of them using the helplines. Moreover, the policy of 'evidential flexibility' whereby caseworkers can request additional information rather than simply rejecting applications is not used consistently.

Employers also complain about the cost of fulfilling sponsor obligations. Since UKBA can remove sponsorship with no recourse to appeal, employers are obliged to pay for legal advice throughout the process. As the House of Commons HAC asserted in July 2009, ‘There is clearly great nervousness amongst sponsors over the possible penalties attached to any failure, even unwitting, to report changes in circumstance of their migrants’. The CBI estimates that it costs £500,000 to meet sponsorship rules, which may make Tier 2 route unfeasible for small and medium sized firms (Home Affairs Committee 2009).

In general, the establishment of the MAC has elicited positive responses from the main stakeholders. Employers present a rosy picture of the MAC, which is contrasted with UKBA and the Conservative Party’s restrictive tendencies; “The complaints we hear from members are about delays and a slightly ‘wrong door no door’ approach that UKBA takes occasionally, like if there is a problem and somebody doesn't fit the criteria, there is a tendency to say ‘no’, not ‘how can we work around this’. But on the positive, I think the involvement of the MAC is really important, we are very supportive of their role; members really value a sound economic evidence base for policy; this is a political commitment that’s been taken as regards the cap but the economic recovery has to take priority, so for us the role of the MAC is important” (Interview CBI). In its 2009 report on the PBS, the HAC found that most interested parties considered the MAC to be doing a good job; including witnesses with preferences as diverse as Sir Andrew Green of Migration Watch and Jabez Lam of the Chinese Immigration Concern Committee. The latter did suggest that the MAC should include a social policy expert, however, in order to ensure that the social aspects of migration were explored adequately.

The system can be said to be rather efficient as regards facilitating the entry of skilled foreign workers. Numbers of work permits increased steadily since the late 1990s, which reflects sustained economic growth and skill shortages. It has been emphasised, however, that the PBS overemphasises quantifiable skills and does not give due emphasis to ability or work experience. Indeed, as in Australia and Canada, previous professional experience could be used as a proxy measure (Murray 2011). In terms of ensuring that the needs of another client group, the resident labour force, are met, the system is supposed to ensure that the latter have
a chance to take up the available jobs before employers request non-EEA migrant workers. 9 The UK employment rate has declined since 2003, while those of other countries such as the Netherlands and some Scandinavian countries, with relatively high employment rates, continued to rise. The fall in employment appears to involve the low qualified as the gap between the employment rate of the low qualified and the average working age population is continuing to widen; only 46 per cent of those without qualifications are in work compared to 86 per cent of people with a degree or equivalent (UKCES 2009).

There is no evidence that there is any relationship between non-EEA labour immigration and the declining UK employment rate, indeed, most non-EEA labour migrants are employed in skilled jobs and thus would not be directly competing with low qualified resident workers. Nevertheless, the PBS system imposes relatively weak employer obligations in terms of attempts to fill vacancies with resident labour before requesting workers from outside of the EEA. Furthermore, it is notable that such requirements for the RLMT and ICT routes were relaxed in the PBS and have not been made more stringent by the current Coalition government, despite its restrictive rhetoric.

Regarding the RLMT, in the UK employers are expected to attest that they have advertised the job in the UK for the required amount of time (currently four weeks) in two outlets, JobsCentrePlus and a sector outlet. However, there is no public certification of the process or pre-admission checks and post-admission checks on employers are infrequent. In 2009, the MAC asserted that there may be a case for introducing certification; however, governments have not done so due to the cost it would entail and a political antipathy towards red tape and regulation (Interview MAC). As noted above, the ICT route, through which about 60 per cent of Tier 2 applications are made, does not require any form of RLMT. Moreover, while in many countries, ICTs are required to have worked for 12 months in the company abroad; the requirement in the UK is 6 months (MAC 2009). The size of this route can partly be explained by the fact that the UK is the location of a large number of MNCs; in fact, it is the second largest destination for foreign direct investment after the US. However, despite the fact that the MAC found that it was, in the main, more expensive to bring in people via the ICT route than hire a local worker, the Public Accounts Committee has expressed concern that ICT migrants may be displacing resident workers with IT skills; also because the number is not capped (Public Accounts Committee 2011). The HAC had voiced similar concerns in July 2009: “We were presented with conflicting evidence on the requirements of the information and communications sector in the UK and internationally. On the one hand, the global businesses we met in India argued persuasively for the need to allow skilled workers to transfer between their different international offices... On the other hand...the Sector Skills Council for IT denied the existence of any serious shortage, and the Professional Contractors' Group suggested to us that the use of intra-company transfers was removing jobs from the UK workforce” (Home Affairs Committee 2009).

Public opinion in the UK is generally for a reduction in levels of immigration, which is to some degree reflected in the Conservative Party’s electoral commitment to reduce inflows from hundreds of thousands to tens of thousands. On the other hand, employers have expressed concern about shortages of skilled labour in the recovery due to the cap. The business community has also voiced concern that the cap on some Tier 1 and 2 routes and more restrictive migration rhetoric may give the impression that the UK is closed for business. In this sense, responding to clients’ needs in terms of labour immigration is always a delicate

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9 Furthermore, a high employment rate is not only a question of responding to the labour force’s need for paid work, it also contributes to economic growth; according to UKCES, a one-percentage point increase in the employment rate adds between £8–11 billion to GDP UKCES (2009). Ambition 2020: World Class Skills and Jobs for the UK. London, UKCES.
balancing act. Is the coalition government’s attempt to reduce inflows over the course of this Parliament expected to be effective? According to most commentators, this is unlikely. This is largely due to the fact that the government cannot control UK/EU mobility and the reductions made to non-EEA immigration and settlement will not achieve the targeted reduction. Indeed, net emigration of British citizens fell from 130,000 in the year to March 2007 to just 30,000 in the year to March 2010, which is one of the main reasons net migration rose in 2010 (Murray 2011). The Migration Observatory estimates that in order to achieve the target of tens of thousands net migration would have to be cut by 142,000. This means cutting non-EEA labour, family and student migration by this figure at a minimum. However, the government’s forecasted reductions in work, student and family inflows only constitute about half of the reduction in non-EU net migration required to meet their target by 2015 (Migration Observatory 2011).

In terms of compliance with immigration regulations, the House of Commons Public Accounts Committee 2011 report on the PBS work routes highlighted the concern that the UKBA is not adequately ensuring that migrant workers and employers comply with immigration rules. It argued that the Agency does not monitor whether migrant workers leave when they are supposed to (and estimates that there are 181,000 migrants in the UK whose permission to remain expired in December 2008). Furthermore, the UKBA visits less than a fifth of employers before granting licences. Finally, the UKBA does not have adequate management information to manage inflows and ensure compliance and the committee welcomed plans to introduce an integrated casework system by 2013 (Public Accounts Committee 2011).

The contribution of skilled non-EEA labour migrants to the UK economy, for example as regards productivity growth, is of course rather difficult to determine. Whilst the level of UK productivity is relatively moderate, its growth has been relatively strong in recent years, at least up to the current economic recession. In 2009, productivity had increased by more than the OECD average in 10 of the past 14 years, and had increased by more than the Euro Area average in 12 of those years (UKCES 2009). We could correlate increased levels of productivity with rising inflows of skilled non-EEA labour immigrants, but a causal relationship and its direction is hard to assess. The difficulty of generating any overwhelmingly positive or negative conclusion regarding the impact of labour migrants, in particular certain categories of labour migrants, on the economy and society is exemplified by the MAC’s response to the government’s request of a numerical limit to be placed on Tier 1 and Tier 2 labour immigration. The MAC reviewed the data and academic literature on economic, public service and social impacts of migration and took evidence from stakeholders. In terms of economic impacts, it was maintained that it is likely that Tier 1 and 2 migrants, on average, have a positive impact on GDP per-head and that they are less likely to exert downward pressure on wages than low-skilled migrant workers. While they assert that these skilled migrant workers are unlikely to reduce the employment of resident workers in general, there is some anecdotal evidence of negative effects in certain sectors and occupations. Tier 1 and 2 migrants are expected to make a positive net fiscal contribution, especially in the short-term, while they are young. They are argued to contribute to public services by filling skill shortages, particularly in health and education and to be light consumers of health services. In terms of social impacts, they are expected to contribute to higher rents and as they settle, housing prices. Their impact on crime is expected to be negligible, however, they are expected to generate more congestion as they tend to live in London. It is considered that the fact that Tier 1 and 2 migrants are skilled, have good English skills and are often employed in the public sector tends to make it more likely that they will have less problems integrating into UK society (MAC 2010).
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List of interviews with policymakers, stakeholders and researchers (September-October 2011)

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<tr>
<th>No. of interview</th>
<th>Organisation</th>
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<tr>
<td>1</td>
<td>Home Office (HO)</td>
<td>Croydon</td>
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<td>2</td>
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<td>Engineering UK</td>
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<td>10</td>
<td>Intellect</td>
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<td>Conservative MP (HL1)</td>
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<td>14</td>
<td>Liberal Democrat MP (HL2)</td>
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<td>Dr. Georg Menz (Menz)</td>
<td>London</td>
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