

**Labour Shortages and
Immigration Policy:
A new approach in the UK**

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Terms of reference

The Migration Advisory Committee (MAC) will provide independent and evidence-based advice to government on specific sectors and occupations in the labour market where shortages exist which can sensibly be filled by migration. The Government may, from time to time, ask the MAC to advise on other matters relating to migration.

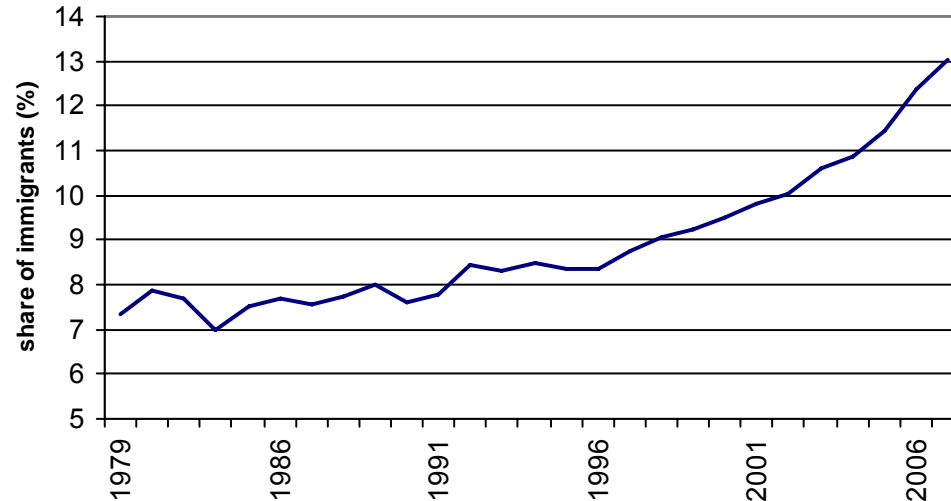
1. Context

a. Labour market (stock) 2007

Immigrants were

- 11% of total population
- 11% of adult population
- 13% of working age population (4.7 million)

Figure 1.2 Share of immigrants in the UK working age population, 1979 - 2007

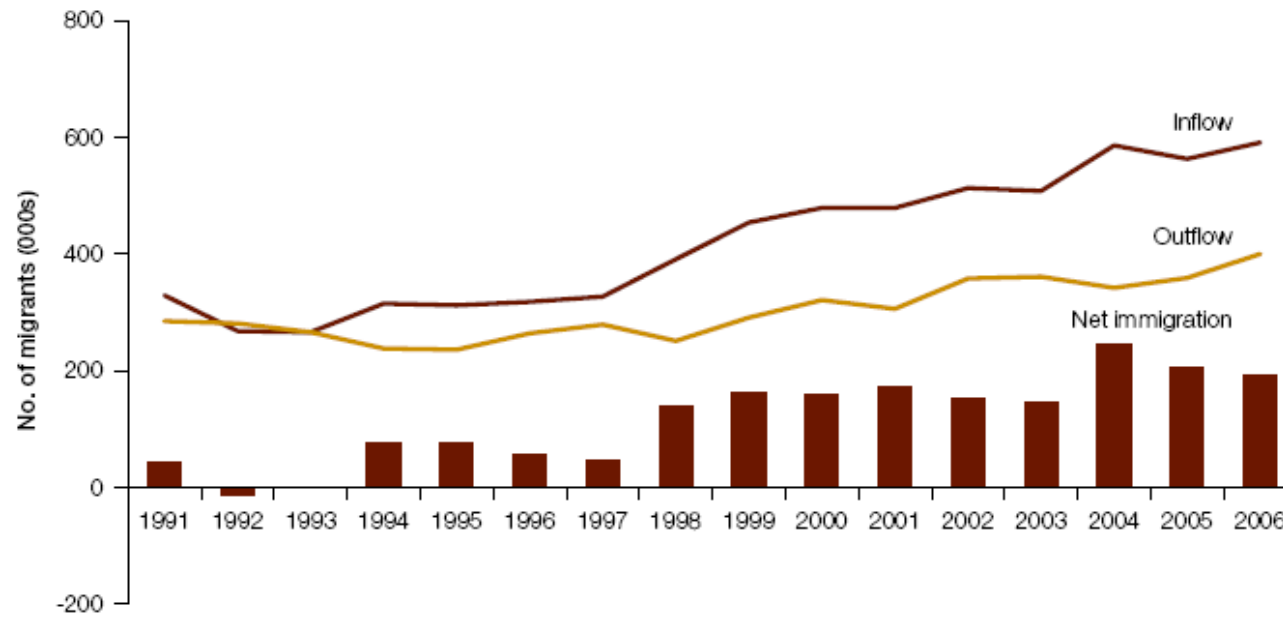


Note: Rates describe working age population including students. Immigrants are defined as foreign born individuals.
Source: Labour Force Survey (1979-2007).

b. Migration flows

- TIM (over 1 year), 1991-2006

Figure 1.3: Total international migration to and from the UK, 1991–2006



Source: International Passenger Survey (2006), published in Office for National Statistics (ONS) (2007a).

b. Immigration flows

- TIM (over 1 year) 2006
- gross inflow 591,000

Table 1.7 Gross inflow by country of citizenship, 2006

	Thousands (%)
British	81 (14%)
European Union	167 (28%)
Commonwealth	201 (34%)
Other foreign	142 (24%)
Total	591 (100%)
Source: International Passenger Survey (2006), published in ONS (2007b).	

- of which 231,000 (39%) work related

Table 1.8 Main reasons for immigration, 2006

	Thousands
Definite job	161
Looking for work	70
Accompany/join	104
Formal study	157
Other e.g. asylum, working holiday	56
No reason stated	43
Total	591

Source: International Passenger Survey (2006), published in ONS (2007b).

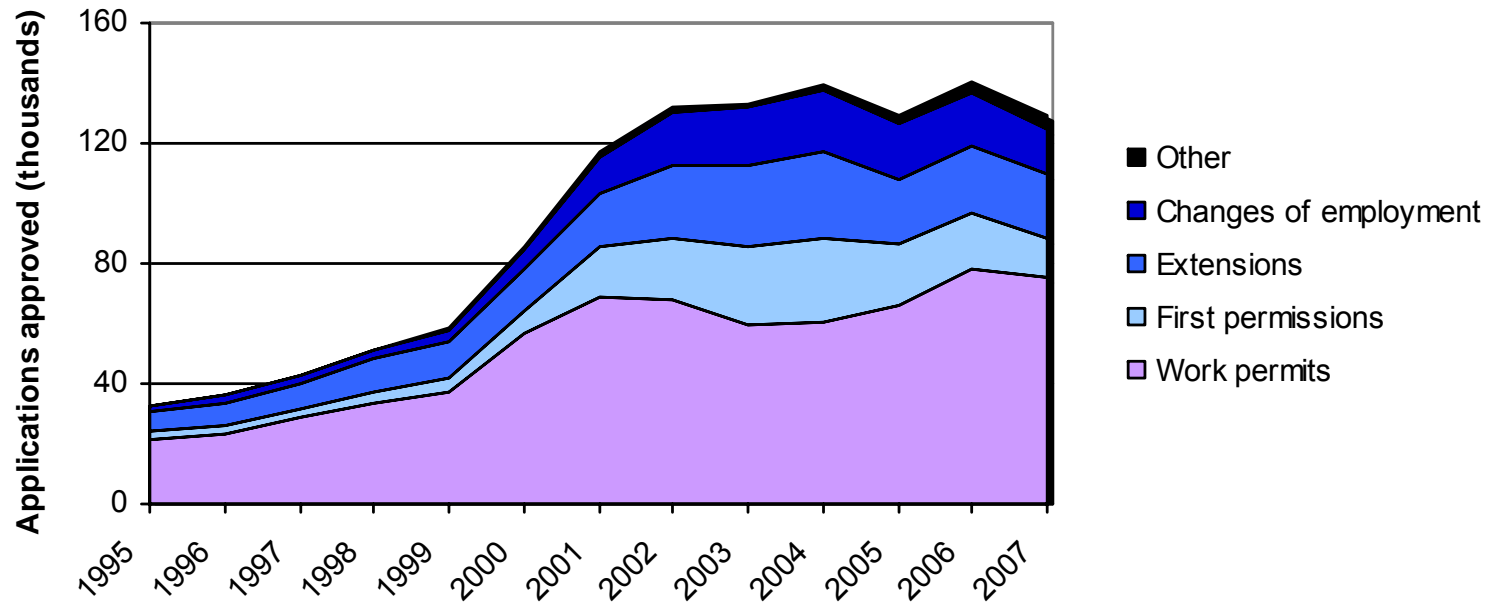
	<u>%</u>
Work	39
Students	27
Dependants	18
Other	17
Total	100

- Other data sources (including under 1 year)
 - worker registration scheme 2007 207,000
 - work permits 2006 97,000

Table 1.9 Work permit holders given leave to enter the UK in 2006	
	Thousands
Employment for 12 months or more	57.5
Employment for less than 12 months	39.1
Dependents of work permit holders	48.5
Total	145.1
Source: Control of Immigration Statistics 2006, published in Home Office (2007).	

2. Work permit system

Figure 2.1 Applications under the work permit system approved, 1995 – 2007



Notes: (1) Total permits approved refers to permits issued under the work permits system. It excludes the lower skilled schemes such as the Sectors Based Scheme and Seasonal Agricultural Workers Scheme applications;

(2) "Other" includes self-certification and in-country technical change.

Source: Salt, 2007; management information collected by UKBA.

Industries, occupations, origin and routes

i Industries

2007 88,000 work permits plus first permissions (WP+FP)

Half accounted for by:

- computer services 27%
- admin and management services 13%
- financial services 9%

ii Occupation

2006 97,000 WP+FP

68% accounted for by professional and associate professional occupations:

- science and technology 36%
- health 13%
- business, public, finance 10%
- culture, media, sports 5%
- teaching 4%

iii Country of origin

1995 24,000 WP+FP of which USA one third

2006 97,000 WP+FP of which India one third, USA one tenth

iv Routes

Two main exempt from RLMT

- intra-company transfers (ICT)

2007 38,000 or 43% of WP+FP

- shortage occupations

2007 4,800 or 10% of WP+FP excluding ICTs

mainly health and education

Table 2.2 Foreign labour inflows to the UK, 2005

	Number	per cent of all inflows
Work permit system	86,200	21.5
Working holiday makers	20,100	5.0
Highly Skilled Migrant Programme	17,600	4.4
Seasonal Agricultural Workers Scheme	15,500	3.9
Domestic servants	10,100	2.5
UK ancestry	8,300	2.1
Sectors Based Scheme	7,400	1.8
Science and Engineering Graduates Scheme	2,700	0.7
Au pairs	2,400	0.6
Ministers of religion	500	0.1
Non-EEA routes total	170,800	42.6
Worker Registration Scheme	195,000	48.6
EU and EFTA	35,200	8.8
EEA routes total	230,200	57.4
Total labour inflows for 2005	400,900	100

Notes: Data are rounded to the nearest 100. Data are derived from different sources: no more recent comparable data are available.

Sources: Salt and Millar (2006a) using data from Work Permits UK, UK Visas; IRS (UK Border Agency); Home Office; International Passenger Survey (data from 2004).

3. The new Points-Based System for managing immigration

Tier 1: highly skilled workers

Tier 2: skilled workers

Tier 3: low-skilled workers (currently suspended)

Tier 4: students

Tier 5: youth mobility and temporary /part-time workers

3. Tier 2

a. Basics

- sponsor
- certificate of sponsorship (old WP)
- job skilled to NQF 3+ (i.e. NVQ 3+)

b. Routes: need 70+ points

i mandatory

competence in English (level A1)	10pts
maintenance requirement (£800)	10pts

ii routes

shortage occupation	50pts
RLMT 30 + pay/qualifications (≥ 20)	50pts
ICT 30 + pay/qualifications (≥ 20)	50pts

Table 3.1 Points under Tier 2

Section	Certificate of Sponsorship		Qualifications (or equivalents)		Prospective Earnings (£)	
A (50 points needed)	Offer of job in shortage occupation	50	No qualifications	0	17,000 - 19,999	5
	Offer of job that passes RLMT	30	NVQ Level 3	5	20,000 - 21,999	10
	Intra-Company Transfer	30	Bachelors or Masters	10	22,000 - 23,999	15
			PhD	15	24,000 +	20
B	Maintenance requirement (mandatory)					10
C	Competence in English (mandatory)					10

Notes: Prospective earnings are before tax, and can be adjusted periodically to reflect inflation and/or labour market requirements. Allowances will be taken into consideration in calculation of salary.
Source: UK Border Agency (2008c).

Skilled, Shortage, Sensible:
the recommended shortage occupation lists

4 & 5. Approach and issues

a. Three hurdles: skilled, shortage, sensible

b. Occupations and job titles

A job title and associated occupations

Major Group: **2** Professional occupations

Sub-major group: **21** Science and technology professionals

Minor group: **212** Engineering professionals

Unit group: **2122** Mechanical engineers (353 occupations)

Job title: Engineer, aerospace (26,000 job titles)

c. Dovetailing

- Top down, national data
- Bottom up e.g. from employers, unions, Sector Skills Councils; call for evidence, visits, independent research

d. Regions

- UK and Scotland
- non-national shortages

6. Skilled

a. Context

- workforce skills are key government priority
Leitch Review (2006) → UK Commission for Employment and Skills
- Tier 2 of PBS requires job title to be NQF 3+ (i.e. NVQ 3+)
- MAC task: which occupations/job titles are skilled?

b. Indicators of skill

- skill level defined in SOC hierarchy
- formal qualifications
- earnings
- on-the-job training or experience
- innate ability

First 3 from top-down evidence, last 2 from bottom-up evidence

c. Result

- 192 out of 353 occupations defined as skilled

d. NQF 3+

Box A.2 Thresholds for defining a skilled occupation

An occupation is defined as skilled at the four digit level if it satisfies two or more of the following:

- **50%** or more of the workforce are qualified to NQF level 3 (or equivalent) or above;
- median hourly earnings for all employees is **£10** or more; and
- the occupation is defined as **skill level 3 or 4** in the SOC 2000. In practice this means it belongs to the following “1 digit” occupational groups: managers and senior officials; professional occupations; associate professional and technical occupations.

- 192 occupations pass 2 or 3 indicators
= 52% of 4 digit occupations
= 49% of current workforce
- This 49% is roughly equivalent to the proportion of the workforce qualified to NQF3+ (50%)

7. Shortage

a. Twelve indicators (all by 4-digit SOC)

i Employer based (3)

- e.g. skill shortage vacancies / employment (%)

ii Price-based indicators (3)

- e.g. change in median hourly pay (%)

iii Volume-based indicators (4)

- e.g. change in hours worked for ft workers (%)

iv Administrative data (2)

- e.g. stock of vacancies / claimant count by sought occupation

b.Thresholds

i Median plus 50% of median

- MAC 1st choice, 7/12 indicators
- advantages
 - takes absolute distribution into account i.e. occupation. must be at least 50% above median
 - does not imply fixed number of occupations
- disadvantages
 - problems when median near zero

ii Given percentile e.g. top quartile (25%)

- MAC 2nd choice, 5/12 indicators

i

c. Results: examples of top 20

Table 7.4 Skilled occupations ordered by % of shortage indicators passed

SOC 2000 description and code		Total indicators passed	Total indicators available	% Indicators passed	Employment estimates (thousands)
Officers in armed forces	1171	5	6	83	28
Moulders, core makers, die casters	5212	9	11	82	4
Photographers and audio-visual equipment operators	3434	9	12	75	61
Musicians	3415	8	12	67	32
Welding trades	5215	8	12	67	87
Ship and hovercraft officers	3513	6	10	60	17
Veterinarians	2216	5	10	50	15
Engineering technicians	3113	6	12	50	70
Midwives	3212	5	10	50	37
Dancers and choreographers	3414	5	10	50	6

8. Sensible

- i skills acquisition: SR/LR tension

- ii alternatives to employing migrants e.g.
 - recruitment efforts: British and other EEA
 - pay
 - altered production methods

- iii productivity, innovation, international competitiveness

- iv wider labour market and economic impacts
 - impact on national pay levels/ changes and employment
 - public service impact (MIF)

9 & 10. Results

a. examples of occupations and job titles included

i complete 4-digit skilled occupations

- e.g. civil engineers (2121); ship and hovercraft officers (3513); quantity surveyors (2433)
- pass 5/6 out of 12 shortage indicators
- good bottom up evidence

ii subset of 4-digit skilled occupation

- e.g. maths and science teachers (2314) and specialist nurses (3211)
- secondary teachers and nurses: pass low number of shortage indicators so no national shortage
- but strong evidence for maths and science teachers and operating theatre nurses

iii skilled segment of other 4-digit SOC occupations

e.g. skilled chefs

- chefs, cooks (5434) does not meet our definition of skill, but there is a skilled segment
- good bottom up evidence e.g. pay, production technology, EU recruits
- how to define 'skilled': 70th percentile of pay distribution

e.g. skilled social care

b. examples of occupations and job titles not included

- i 50%+ of top down indicators passed (10 occupations) but insufficient bottom up evidence
 - e.g. welding trades, midwives
 - will discuss with the sectors

- ii shortage asserted, but in each case a low number of indicators passed, and no compelling bottom up evidence
 - social workers
 - IT
 - architects
 - most skilled construction trades

- iii shortage identified but evidence received that immigrants would undermine efforts to train, recruit and retain UK workers
 - various textile trades
 - qualified veterinary nurses

c. debates

Previous work permit list

- three sectors: health, engineering, education
- over 1 million employed in the occupations covered

MAC list

- approx 700,000 covered
- many more occupations/jobs
- List is work in progress; not set in stone

Debates: social care and agriculture

- skilled?
- Tier 3?
- Romania and Bulgaria?