Labour shortages and immigration policy: the work of the UK’s Migration Advisory Committee (MAC)

David Metcalf
Chair, Migration Advisory Committee
February 2008
Today

• The Migration Advisory Committee
• Points Based System
• Shortage occupations
• Immigration and wages
• A2 review
What Is The Migration Advisory Committee (MAC)?

An advisory non-departmental public body (NDPB) that will provide independent evidence-based advice to Government on occupations where shortages exist which can sensibly be filled by migration.

Committee of labour market economists.

Advice is published and independent, but ultimately Ministers decide.

Published recommended shortage occupation lists Sept 08; publish next shortage occupation report to Government approx April 09.

Other advice, including recommendations on employment of Bulgarian and Romanian nationals published Dec 08.
The Points Based System

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Highly skilled individuals to contribute to growth and productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tier 2</strong></td>
<td><strong>Skilled workers with a job offer to fill gaps in the UK labour force</strong></td>
</tr>
<tr>
<td>Tier 3</td>
<td>Low skilled workers to fill specific temporary labour shortages (suspended)</td>
</tr>
<tr>
<td>Tier 4</td>
<td>Students</td>
</tr>
<tr>
<td>Tier 5</td>
<td>Youth mobility and temporary workers: people coming to UK to satisfy primarily non-economic objectives.</td>
</tr>
</tbody>
</table>

Shortage occupation: don’t need points for earnings, qualifications and Resident Labour Market Test
Shortage occupation report

- Report was landmark in the provision of evidence-based advice to Government. It was the most comprehensive such analysis ever undertaken anywhere in the world.
- Central premise: only those job titles which are skilled, in shortage and for which is it sensible to use immigrant workers to fill the shortage make it onto our list.
- We believe our recommendations achieved right balance between the needs of individual employers and those of the UK labour market and economy. Big emphasis on up-skilling UK workers.
- Two recommended shortage occupation lists: one for the UK and one just for Scotland.
- Recommended lists were based, for the first time, on a comprehensive analysis of the entire labour market. So lists contained more job titles than previously.
- But lists were tighter than before. We estimate that the occupations on the recommended list account for only approximately 700,000 jobs, compared to over one million jobs on the previous list.
Tier 2 of the Points Based System

a. Basics
   - sponsor
   - certificate of sponsorship (old WP)
   - job title skilled to NQF 3+ (i.e. NVQ 3+)
   - pay to be ‘reasonable’ – is no undercutting
   - prior entry clearance

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
Approach and issues

a. Three hurdles: skill, shortage, sensible

b. Occupations and job titles

<table>
<thead>
<tr>
<th>Major Group: 2 Professional occupations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-major group: 21 Science and technology professionals</td>
</tr>
<tr>
<td>Minor group: 212 Engineering professionals</td>
</tr>
<tr>
<td>Unit group: 2122 Mechanical engineers (353 occupations)</td>
</tr>
<tr>
<td>Job title: Engineer, aerospace (26,000 job titles)</td>
</tr>
</tbody>
</table>

c. Dovetailing

- Top down, national data
- Bottom up e.g. from employers, unions, Sector Skills Councils

d. Regions

- UK and Scotland
- non-national shortages
Skilled

a. Context
   • workforce skills are key government priority
   • MAC task: which occupations/job titles are skilled?
   • Tier 2 of PBS requires job title to be NQF 3+ (i.e. NVQ 3+)

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
Shortage

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
Sensible

i  skills acquisition: SR/LR tension

ii  alternatives to employing migrants e.g.
   • recruitment efforts
   • 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)
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
Results (continued)

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
   • discussing 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