

The Whole of the Moon

UK labour immigration policy in the round

Jonathan Thomas
Aveek Bhattacharya
Gideon Salutin

SMF

**Social Market
Foundation**

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Finally, we appreciate the time and candour of all those who spoke to us for this research in both the survey and in our expert interviews.

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FOREWORD

by James Kirkup, Director of the Social Market Foundation

Immigration is one of the most challenging topics for British think-tanks to research and publish on. For the SMF, the challenges are even greater. As a cross-party charity, we exist to add evidence and ideas to discourse on public policy without taking sides in political fights. Yet this is an area where opinions are often already very firmly entrenched – often with little or no reference to the evidence. Those trenches mark the battle-lines between two sides of an often polarised debate that tends to reduce this issue to simple and simplistic questions. Is immigration good or bad? Should it be higher or lower? What is the right number of migrants for a country to admit?

This report does not answer those questions. It does not take sides in the binary squabble that gives rise to them. Anyone who reads this report and concludes that it is “pro-“ or “anti-“ immigration has not understood it properly.

Nor does it offer succour to anyone who likes to take part in that squabble. There is something here for everyone, wherever they stand on immigration issues, to dislike. Those – I am sometimes among them – who argue that a liberal immigration system can be deployed to address economic needs such as labour shortages with little friction will find their ideas challenged. Likewise, anyone who argues that the simple answer to Britain’s demand for labour is more migrants: why not, instead, look to the potential workforce that has already migrated to the UK but is not currently available for work? Is a proposal to allow asylum claimants and foreign students to work – and thereby potentially reduce the need for further economic migrants – a “pro-“ or “anti-“ immigration position? It is equally hard to fit into any neat rhetorical box the proposal to do away with skills-based entry routes and use only wage levels to decide who can enter for work: let employers’ willingness to pay for migrants’ skills and labour determine the value of those skills and labour.

Elsewhere, restrictionist fans of the famous Australian points-based system will find its limitations exposed here. And liberals who allege a hostile and draconian migration regime since the 2016 Brexit vote face the corrective of evidence that Britain has recently operated a quietly liberal and open migration policy. Meanwhile, employers who lament the design and performance of migration policies face friendly challenge too, and a reminder to have regard for the electorate that ultimately licences those policies.

Some suggest the simple answer is for the UK to simply grow its own skilled workers and reduce its long-term need for migrants’ labour. This report shows the limits of that approach, and offers a convincing description of a future where Britain must compete to attract those migrants and their skills from abroad, perhaps by supporting skills and training in their home countries.

In short, there is something here for everyone to disagree with, to reflect on, and – we hope – learn from. That is the proper role of an independent think-tank in this complex and contested space. Given that complexity and contest, we are especially grateful to

Fragomen for supporting this work. For the sake of absolute clarity, this is the work of the SMF alone. It reflects our views, no-one else's.

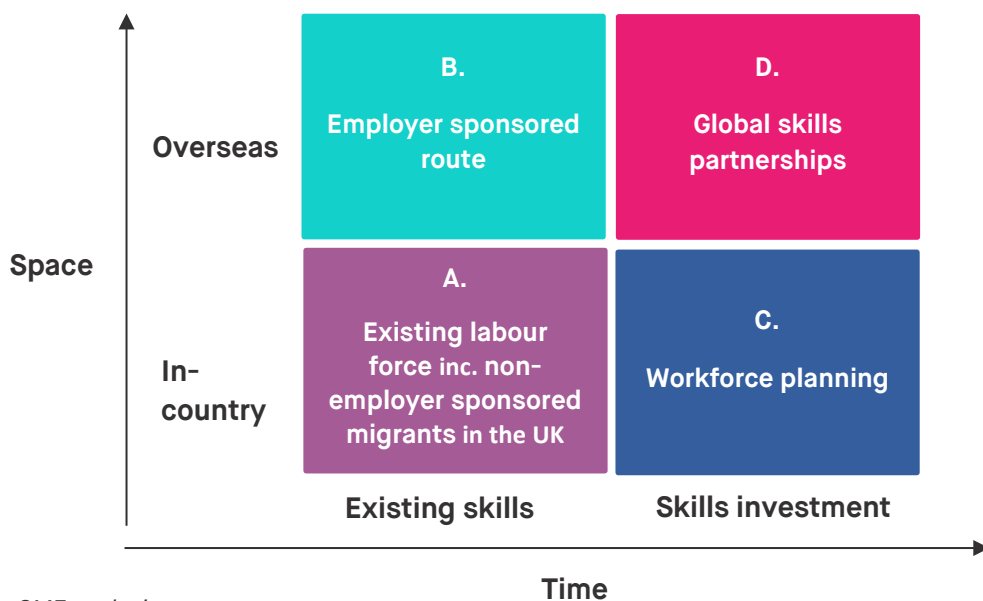
On a personal note, this is the last SMF report on migration policy that I am likely to oversee, since I will be leaving the charity later this summer for a new role. In that light, I would like to take the opportunity to express gratitude to my colleague Jonathan Thomas, the lead author here and the driving force behind the SMF's migration work in recent years. The scope and originality of his thinking on these issues has been both inspirational and – in an entirely positive sense – challenging for me. I am confident in saying that his work has changed the way people think about migration questions, because I am one of those people. That challenge has made working with him one of many highlights of my time at the SMF. I look forward to seeing what he and other colleagues do in this field in the years ahead.

EXECUTIVE SUMMARY

How UK labour immigration policy conceives of the potential UK workforce, and responds to labour shortages, can be framed on a space-time continuum

- The diagram below represents different policy spaces:
 - **On the 'time' axis:** short-term immediate solutions vs longer-term measures that require planning and investment.
 - **On the 'space' axis:** whether needs are met by skills and labour resources already in the UK or imported from overseas.

Figure: The different policy spaces on labour immigration in the UK



Source: SMF analysis

- The core of this report focuses on **Quadrant B** (short and medium-term immigration policy related to the employer sponsored route) – exploring the context and contours of the post-Brexit labour immigration regime, and the causes of, and responses to, recent labour shortages.
- The other quadrants are important though, and often overlooked; so the report goes on to explore these, to examine how broadening our approach and implementing longer-term policy approaches could help break the cycle of recurring labour market crises:
 - By making better use of potential workers from overseas who are already in the UK (**Quadrant A**)
 - By developing Global Skills Partnerships with other governments (**Quadrant D**)
 - By better integrating the immigration and skills systems to create more coherent workforce planning (**Quadrant C**).

The UK's post-Brexit labour immigration system: glass half-full/glass half-empty for employers

- For all the political flux surrounding the transition to a new labour immigration system, the Government's core message remained constant:
 - EU freedom of movement to work in the UK, and geographical preference for labour immigration from the EU, would end.
 - The aim of labour immigration policy should be a high-wage, high-skill, high productivity economy.
- In some respects the result has been glass half-full for employers:
 - Substantial continuity with the existing system for sponsoring non-EU workers.
 - Significant liberalisation compared to that previous system, including reduced skill and salary thresholds.
- In other respects it has been glass half-empty – if not glass smashed:
 - With very limited exceptions, the door was shut to lower-skilled, lower-salaried or self-employed workers from overseas.
 - For those employers that had relied on freedom of movement, the shift to sponsorship came with material additional cost, administrative complexity, and legal responsibilities and obligations.

The (sectoral) story so far: Where have all the migrant workers gone? Look at all the migrant workers arriving!

- Immigration to the UK has been scrambled; not just by the pandemic, but also by those escaping geopolitical events in Ukraine and Hong Kong, making it hard to apportion causality and the extent to which strong immigration flows are attributable to the shape of the post-Brexit regime.
- That said, labour inflows have been strong under the new regime so far, although weighted towards larger employers hiring workers from outside the EU, and with very different experiences between different sectors.
- Inflows have been dominated by health and social care; the sector boosted by the pandemic, the fact that it was already an established user of the sponsorship system, has been subject to lower fees under the Health & Care visa, and with the care sector subsequently given special dispensation to hire from overseas at lower skill and salary levels.
- Sectors reliant on EU workers had their plans to continue using those workers through the EU Settlement Scheme (EUSS) doubly disrupted by the pandemic:
 - Many employers had to shut down operations even if only temporarily.
 - Many EU workers returned to their home countries, and EU governments instituted policies to persuade returners to stay.
- The IT sector in particular though was not only able to adapt, but also benefited from the shift to remote working, even cross-border; its workforce often able to take advantage of 'digital nomad' visas now offered by over 40 countries.

Despite objections to the cost of sponsorship, employers believe the UK compares favourably with peer countries

- To understand how employers have responded to these changes, we:
 - interviewed 14 businesses and sector bodies across five different sectors – hospitality, IT, social care, construction, transport;
 - surveyed 2,012 businesses in the UK through targeted questions added to the CIPD Labour Market Outlook survey, distributed by YouGov.
- There were very different experiences and perspectives, not just between, but within, sectors, but some common themes emerged from employers:
 - Overall, the UK is still viewed as a relatively attractive place to work for overseas workers.
 - Businesses vary widely in terms of their capacity and sophistication in planning ahead and ability to adapt to labour market shocks, but even among the best, few organisations engage in strategic workforce planning.
 - Employers are aware that hiring from routes outside of the sponsorship system provides additional flexibility without the administration, costs and salary/skills threshold constraints of the sponsorship route.
- The single most popular post-Brexit change among employers is the removal of the Resident Labour Market Test (the previous requirement to advertise roles for a prescribed period before offering them to overseas workers).
- Yet there are major issues with the employer sponsorship system:
 - The fees and charges involved draw the biggest objections – though larger employers tend to be more willing to bear these costs, this is not always the case.
 - Employers have noted some improvements in ease and speed of the sponsorship system, but the promised fundamental enhancements have yet to be delivered.
 - There is substantial confusion and uncertainty around shorter-term assignments, where the need for an overseas worker is for longer than a business visitor but does not warrant the cost and administration of a longer-term visa.
- That said, even those employers most critical of the UK system could not name a single other sponsorship system they preferred in terms of ease, speed and certainty, comparing the UK sponsorship system favourably to that of the US, Canada, Australia and certain European countries.
- The employer survey highlights that employers:
 - Have shifted from EU to non-EU workers.
 - Welcome the greater efficiency of the post-Brexit sponsorship system.
 - Are making use of a broad range of routes/pools of immigrant workers outside of the sponsored Skilled Worker route.

Labour shortages have been primarily driven by the fallout of the pandemic, but Brexit and deeper structural issues have contributed

- Initially, Brexit and the new immigration regime were blamed for labour shortages in the UK, but other major economies including in the EU have faced similar shortages, and the UK's labour market experience seemed to be attributable to certain aspects of the pandemic and its aftermath.
- At the same time, though, the Government's rhetoric around a high-wage, high-skill, high productivity economy, combined with its u-turn in deciding not to build in a transitional route into the new regime, meant the risk of labour shortages in some sectors was clearly flagged, indeed intended.
- The unforeseen (COVID-19) combined with the deliberate (Brexit and the end of freedom of movement) and the deep-seated (structural problems in the labour market), often serving to magnify and reinforce the impact of those developments – as a result, time and space wise labour shortages are unlikely to be a blip, and are unlikely to be a problem only for the UK.

Labour shortages cannot and should not be primarily managed through targeted immigration policy – beware the Australian model

- The case for managing labour shortages through targeted immigration policy seems obvious, sensible and simple – but it is not.
- Labour shortages are “unpopularly popular”; despite their disruption and inconvenience, they are seen to empower lower-paid workers.
- It is not possible to both accurately assess labour shortages and respond to them rapidly – it takes too long for accurate objective data to emerge.
- Even if this were possible, it would not be practical or beneficial for businesses for labour shortages to be primarily managed through targeted immigration policy – the result would be disruptive unpredictability, political micro-management and reactive tactical interventions at the expense of long-term strategic planning.
 - The feted Australian system, subject to these problems, is an example to be avoided rather than emulated.
- Addressing labour shortages through targeted immigration policy, which brings in overseas workers on lower pay and restricted ability to switch sectors and/or employers, may also lead to worker exploitation.
- Indeed, there is a broader tension between using labour immigration policy to address shortages and fostering wage ambition, which puts the Migration Advisory Committee (MAC) in an invidious position in trying to balance these competing considerations.
 - This tension was in evidence in the debates over the salary threshold of the new system, and continues to be so over the eligibility of occupations for the Shortage Occupation List (SOL) (which brings a discount on the salary threshold).

Recent experience – especially ongoing disputes over the Shortage Occupation List – demonstrates the tensions between addressing shortages and building a high wage economy

- The Government's approach to labour shortages as they arose at the tail-end of the pandemic was in some cases to ignore them, in others to be 'seen' to do something, and in some cases – horticulture and social care – to actually do something.
- Yet through it all, the Government has doubled down on its high-wage rhetoric – for example, allowing more overseas seasonal and horticultural workers with the quid pro quo that they be paid an hourly wage matching that required for skilled workers.
- The SOL, and the salary discount that inclusion on the SOL brings, has far greater significance now that the salary threshold requirement is applied to *all* overseas workers post-Brexit.
- The MAC has long had reservations about the operation of the SOL, viewing it as creating a semi-permanent 'short-term' fix which risks perpetuating shortages rather than addressing them. Going forward, the MAC has said that:
 - The MAC will now only consider a reduced set of roles for salary level discount through inclusion on the SOL, where this will not undercut resident workers.
 - The approach the MAC took for social care, in recommending occupations below Regulated Qualifications Framework (RQF) 3 level for inclusion on the SOL, will be rare, has a high evidential bar, and will therefore unlikely be available to most sectors.
 - No jobs will remain on the SOL indefinitely, and are as likely to be recommended for removal from the SOL as to be added to it.
- The expansion of the SOL in recent times might therefore not only come to an end, but even reverse.
- Technology adoption and automation can in principle be an alternative to immigration, but in practice typically tends to have an impact only over the longer term, with significant investment, supported by higher skills, and often results in an overall increase, rather than reduction in, demand for labour.

In the short-run, the economy can make better use of migrants already in the UK but not yet working

- There is a large pool of potential migrant workers in the UK who are not subject to the constraints on roles, skills and salary applied to sponsored workers:
 - By way of example, in 2017 an estimated 85,000 non-EU born workers who had arrived in the previous five years were working in jobs ineligible for sponsorship.
 - During the COVID pandemic more key workers in the UK came from countries outside the EU than from inside, even though, again, many of those roles were ineligible for sponsorship.

- This potential pool of labour includes dependants of those on other visas, those with permission to stay under the EU Settlement Scheme, those who come to the UK under the Youth Mobility Scheme (YMS), overseas students, both while studying and post-study, those entering the UK through the humanitarian routes of the Ukrainian schemes and the Hong Kong British National (Overseas) route, and refugees including those resettled into the UK.
- Such groups may not be coming to the UK specifically to work, but many do work once here, and continue to swell the UK workforce over the longer term.
- In being less ‘headline’ worthy, even associated with more positive, less controversial, immigration routes, many of these routes/pools are less politically and publicly sensitive or subject to constant, disruptive rule changes.

In the long run, the government should look to build global skills partnerships to get ahead in the global race for workers

- What may look like ‘one off’ labour shortages in the economies of the Global North in the past few years will become the norm, with heightened competition between aging states for skilled workers.
- The UK enjoys important built-in advantages in this competition, but these could be lost if the UK does not coherently develop its strategic approach to this challenge as other countries are beginning to.
- The government should aim to cooperatively lock in longer term labour for the benefit of the UK, identifying future skill needs, and through global skills partnerships investing in training for overseas workers before they arrive in the UK.
- Such an approach could be designed to ensure fairness for workers and their countries of origin, rather than encouraging exploitation and ‘brain drain’.
- Global Skills Partnerships are not right for all sectors and roles, but could work well for mid-skilled positions with longer-term predictability in demand, where the UK is likely to be short of sufficient labour supply from its own resources.
- Developing and refining global skills partnerships will take time, learning and adaptation, but they present significant opportunities for countries that can make them work.

Fairly or not, too many in the UK came to view freedom of movement as unfairly advantaging employers, but trust between the key actors in the economy, and public confidence, can be rebuilt

- The Government, the opposition and the MAC are now all singing the same tune, from the same high-wage, high-skill, high productivity hymn sheet.
- On the face of it, the past decade has seen employers suffer a succession of restrictions on their ability to freely hire overseas labour.
- But in almost all time periods since World War Two the UK has allowed more leeway to employers to use overseas workers than one would have taken away from the headline political and policy soundbites around immigration, and that is still the case now.

- Despite the often contrasting and adversarial rhetoric of political and business leaders, employers are not unaligned with the way that mainstream politicians and the public are pointing – focused on skills, wages and job quality.
- Employers must engage with the challenges but also embrace the opportunities to allay the (mis)perception that their approach to labour shortages and skills gaps is narrowly self-serving and short-termist, and frame the use of immigration not as the lever of first resort, but as a supplement – albeit an important one – to the domestic labour force.
- Government and business must work together in the long-term interests of the economy, building public confidence and avoiding lurching from crisis to crisis.

How can this best be achieved?

- This requires the following **four building blocks**:
 1. **Joined-up labour force utilisation**, making the most of the workers (British and foreign) already in the UK, which will also serve to demonstrate that there is no silver bullet to solving labour shortages, underpinning the case for the immigrant labour that is needed.
 2. **Joined-up labour force planning**, with immigration policy part of a wider policy mix, and a more structured approach to workforce planning between the different actors in the system, including skills and employment support.
 3. **Joined-up labour force protection**, addressing exploitation risks, with stronger minimum wage enforcement amidst stricter, better resourced, and more unified labour market regulation and inspection.
 4. **Presenting the joined-up benefits of labour immigration**, building on examples from the US, collecting and presenting data to better demonstrate the contribution of immigrants, not just as workers, but as consumers, employers and taxpayers.
- With these building blocks in place to support and secure the operation of a high-skill, high-wage, low exploitation labour market, within those parameters the Government should then have more trust in business and develop a more flexible and open labour immigration system:
 1. **Salary alone should set the threshold of skills**: ending the two-tier approach with skill requirements being simply based on what society is willing to pay for those skills.
 - This would simplify the sponsorship process and provide greater certainty to firms and workers.
 - It would also allow differential regional approaches across the UK to filling 'lower-skilled' roles if employers are willing to employ overseas workers based on wage ambition and competition, rather than risk institutionalising regional wage differences by allowing wages to be lowered to fill such roles.
 2. **Sponsorship costs should be reduced in targeted areas**.
 - The level of costs is designed to: fund the operation of the system, exercise control, ensure compliance in the system, and dissuade overreliance on (especially low paid) migrant labour.

- Addressing the core of these concerns through the first three building blocks, the main rationale for the level of costs falls away, and more elements of these could then be reduced, either across the board or even if only on a targeted basis, such as for roles on the SOL requiring a raise in salary or offered by SMEs.
3. **The government needs to use (for its proper purpose) or lose the Immigration Skills Charge (ISC)**
- At present, the government raises £350 million annually from the ISC paid by employers for hiring overseas labour today, which charge is supposed to fund the training of the local workforce tomorrow, yet there is no transparency or accountability for how the proceeds of the charge are spent or credit given to employers for funding this.
 - Either the charge should be dropped, or its usage clearly publicised, and scrutinised, which would help build public trust that the gains from immigration are being more equitably shared and sensibly reinvested for the benefit of all.
4. **The efficiency of bureaucracy should be improved**
- As with the costs of the system to employers, this ‘grit in the wheels’ seems designed to obstruct labour immigration so as to avoid its over-use, particularly by those most likely to engage in exploitation of overseas workers, but speed of hire is crucial to most employers in using the system.
 - Agreement on the first three building blocks should mean that there is no reason why the sponsorship system cannot be optimised for speed and ease of use, incorporating more efficient processes and technological enhancements.

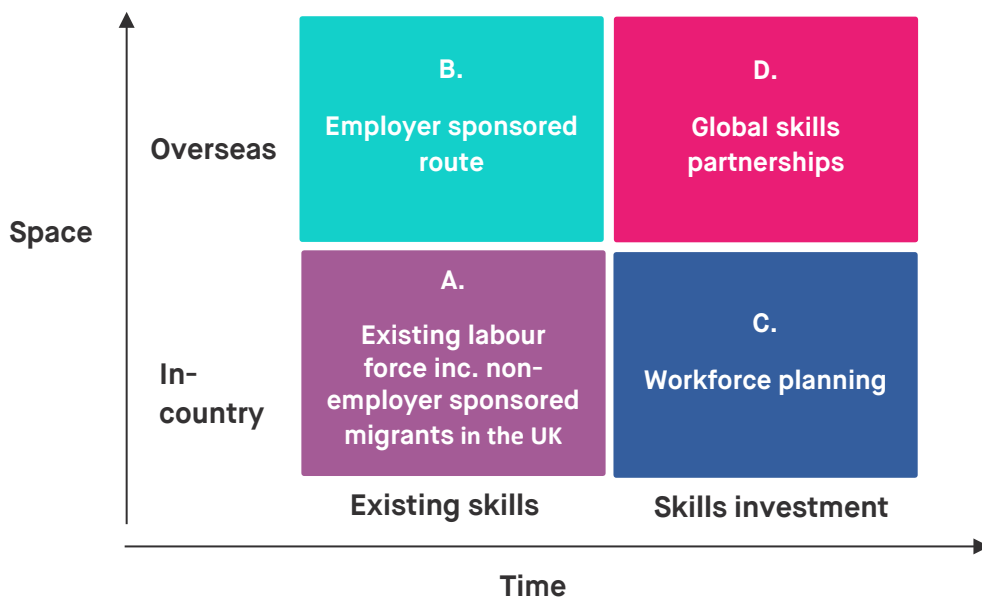
INTRODUCTION

How UK labour immigration policy conceives of the potential UK workforce, and responds to labour shortages, can be framed on a space-time continuum

The diagram below represents different policy spaces:

- **On the 'time' axis:** short-term immediate solutions (skills available now) vs longer-term measures that require planning and investment (skills available in the future).
- **On the 'space' axis:** whether needs are met by skills and labour resources already in the UK or those skills and resources are not already in the UK and need to be imported from overseas.

Figure 1: The different policy spaces on labour immigration in the UK



Source: SMF analysis

Quadrant A = skills available now from those already in the UK = existing labour force in the UK

Quadrant B = skills available now from those not already in the UK = employer sponsorship of overseas workers

Quadrant C = skills available in the future from those already in the UK = workforce planning, i.e. you need to train people in the UK in those skills

Quadrant D = skills available in the future from those not already in the UK = global skills partnerships, i.e. you need to train people outside of the UK in those skills who can then bring those skills to the UK

The core of this report focuses on **Quadrant B** (short and medium-term immigration policy related to the employer sponsored route for bringing workers into the UK) – exploring the context and contours of the post-Brexit labour immigration regime, and the causes of, and responses to, recent labour shortages.

The other quadrants are though important, and often overlooked, so the report goes on to explore these, to examine how broadening our approach and implementing longer-term policy approaches could help break the cycle of recurring labour market crises:

- By making better use of potential workers from overseas who are already in the UK (**Quadrant A**)
- By developing Global Skills Partnerships with other governments to provide skills the UK needs (**Quadrant D**)
- By better integrating the immigration and skills systems to create more coherent workforce planning (**Quadrant C**).

CHAPTER ONE – THE UK’S POST-BREXIT LABOUR IMMIGRATION SYSTEM: GLASS HALF-FULL/GLASS HALF-EMPTY FOR EMPLOYERS

The political and historical context of the new system

To understand where we are, and why, we must understand the context and key features of the post-Brexit labour immigration system versus what was in place before, including the main debates over the implementation of the new system and how those were resolved.

The UK’s post-Brexit labour immigration system was shaped by the political response to the EU referendum; the flavour of Brexit which the UK government decided to pursue, centred around the principle of ending EU worker freedom of movement to the UK. The details of the new system were developed by a process of triangulation, not between the government and the two other main parties (who still at that stage leaned towards retaining EU worker freedom of movement to the UK) but between the government, employers, and the Migration Advisory Committee (MAC) (the non-departmental public body that advises the government on economic migration issues).

The White Paper on ‘The Future Relationship between the United Kingdom and the European Union’ in mid-2018¹ set out the high-level headline that EU freedom of movement for work to the UK would end, and would be replaced by a new UK labour immigration regime which the government would develop, with expert insight and input from the MAC. This was followed in December 2018 by the government’s White Paper ‘The UK’s future skills-based immigration system’, which began to fill in the actual details.²

But the political aftershocks caused by the Brexit earthquake were still rumbling on. By the time that the ultimate, February 2020, ‘points-based’ version of the UK’s new labour immigration system was issued³, both a new prime minister and a new home secretary were in place. The result was that, while the core approach from 2018 remained, some detailed elements were either discarded, amended or reiterated in a way that largely reflected the significant shift in key Government personnel in the meantime. Not least of which, albeit cosmetic, was the rebranding of the new ‘skills-based’ system as the ‘points-based’ system at the initiative of the then new prime minister, Boris Johnson, to benefit from the perceived positive association with the Australian labour immigration model of the same name. What did remain the same though was:

- the ending of freedom of movement from the EU to the UK for work,
- the ending of the preferential treatment of labour immigration from the EU versus from outside the EU,
- with the aim “to reduce overall levels of migration” and,
- at the heart of the new system, a clear political message: “to create a high-wage, high-skill, high productivity economy”.⁴

The end of EU freedom of movement to work in the UK had a more fundamental impact in the UK than likely would have been the case in most other EU countries. The UK's open approach to free movement – welcoming the EU-8 countries' workers at the earliest possible opportunity and imposing much lighter-touch registration requirements compared to many other EU countries – combined with the flexibility of the UK's bureaucracy-light labour market approach (contrasted, for instance, with the German approach where many trades require specific local training, accreditations and qualifications) – meant that free movement to the UK really meant free movement, and that EU workers could not only come in large numbers but also be quickly and flexibly absorbed into the UK labour force.

At no time since World War Two has the UK managed without substantial labour immigration; throughout that period free movement for work from somewhere has been a key feature of the UK immigration system⁵, a source of continued tension in that system, and the major source of the largest immigrant populations in the UK, from the Irish to the Indians to the Poles. Throughout that period the UK has in effect operated a free movement regime for immigrants from some part of the world; from Ireland, and then adding from the Commonwealth, and then stopping free movement from the Commonwealth but subsequently allowing it from the European Union, and now once more back to just Ireland again.

In one sense therefore, the wheel of immigration history in the UK may appear to have turned full circle. But, of course, we are now on a totally new track. No one pretends that Ireland can any longer fulfil the UK's needs for immigrant workers; since the baby boom of the early 1960s Ireland's fertility rate has more than halved, standing now at under 1.8. In the UK's labour immigration system geographical preference has (Ireland aside) instead been replaced by a skills and salary preference. The historical trajectory of the UK's labour immigration offer, first to prefer its colonial connections, then its European neighbours, has now been replaced with an offer which prefers, as The Economist puts it, "the global middle class".⁶

The UK's new work immigration system went live, as EU freedom of movement to the UK for work ended, at the end of 2020/start of 2021. The fundamental underpinnings of the new regime embedded a glass half-full/glass half-empty perspective for employers.

Glass half-full

On the glass half-full side of the ledger:

- Enhanced continuity: Despite its new 'points-based' branding (even this was not in truth new; the Labour government of the 2000s had branded its 'new' immigration system likewise), the structure of the skilled worker system is really an employer-sponsored work permit system – as an overseas worker cannot meet the points threshold requirement unless they are sponsored by an employer – of the type to be found in many countries, including already in the UK itself.

The core of the old system, which had operated in the UK alongside EU freedom of movement, and which allowed employers to sponsor workers from outside the EU – subject to certain requirements, parameters and restrictions – was maintained and used as the basis for the new system for all overseas workers. Employers familiar with the previous sponsorship system were thus already in effect set up for the new one, and could benefit from the promised more streamlined and efficiently operated version of that system.

- Liberalised parameters and requirements: Much more than this though, as a quid pro quo for the ending of EU freedom of movement and the subsuming of future EU workers into the sponsorship system, the existing sponsorship system was also liberalised in some key respects:
 - A cap on the number of ‘skilled worker’ visas issued was no longer applied.
 - Employers no longer had to go through the hoops and delay of the Resident Labour Market Test, the requirement to advertise the job for 28 days in the UK first before offering it to an overseas worker.
 - The required skill level of the overseas worker to be hired was reduced, down from degree level (RQF 6) to A-level equivalent (RQF 3).
- Hard-fought concession on salary level: The above changes were brought in without much debate or struggle. The same could not be said for the decision as to the required annual salary level to apply to sponsored overseas workers under the new regime. Under advisement from the MAC, the initial proposal was to keep that annual salary at the same level – £30,000 – as it had been under the existing regime for sponsored workers from outside the EU. But, now that they had lost the ability to employ EU workers at lower rates, employers sought to have that level reduced. This would also allow them to practically benefit more significantly from the reduction of the required skill level under the new system. There ensued a three-way tussle between:
 - employers: keen to maximise their access to labour at competitive wage rates,
 - the government: focused on control over immigration numbers, demonstrating that ending EU freedom of movement actually meant something, and, arguably, on increasing wages at the lower-end of the pay scale,
 - the MAC: focused on the economic cost-benefit impact of labour immigration on the public finances, on worker salaries at the lower-end of the pay scale, and on the greater risks of labour exploitation inherent in tying lower-paid workers to sponsoring employers.

The result of this was that the government put the annual salary question back to the MAC for ‘reconsideration’, posed as a seemingly impossible triangulation puzzle. The ask was that:

“The salary thresholds should help control migration, ensuring that it is reduced to sustainable levels, whilst ensuring we can attract the talented people we need for the UK to continue to prosper. Salary thresholds should also see skilled migrants continue to make a positive contribution to public finances.”⁷

The outcome was that the core threshold annual salary was moved down to £25,600, unless the ‘going rate’ for the role – the 25th percentile of full-time annual wages for that role (derived from the Annual Survey of Hours and Earnings data) – was above that level, in which case the threshold salary for that role was then that going rate. And this threshold was reduced to even lower levels – down to a minimum of £20,480 – for jobs on the Shortage Occupation List, offered to people with PhDs, and to new entrants to the labour market.

- Health and care: There were also exceptions to those hired subject to national pay scales in education and healthcare, and special provisions under the Health and Care Worker visa including lower visa fees and an exemption from the Immigration Health Surcharge.
- Coverage of the system: In theory, these changes meant that those coming to the UK under the sponsorship system were now eligible to do well over half of all full-time jobs in the UK, double the level that sponsored workers had been eligible for under the pre-Brexit immigration system, and a more liberal approach than that of the sponsorship approach of the major EU countries (albeit of course those countries still also permit the hiring of EU workers under free movement of labour).⁸
- Graduates working and permanent settlement: At the same time two important changes were made to the immigration system that indirectly supported the expansion of the employer sponsorship system:
 - International students’ ability to stay on in the UK to work unsponsored after they have completed their studies, and then to subsequently switch to a sponsored skilled worker visa to continue to stay and work in the UK, was re-introduced.
 - The ability of sponsored workers to remain in the UK longer term was also liberalised, with the removal of the separate, higher annual salary level of £38,800 required for permanent settlement.
- EU workers already in the UK: Last, but not least, under the EU Settlement Scheme EU workers already in the UK could apply to remain and work in the UK indefinitely, without any visa or employer sponsorship requirements, simply by being in the UK and applying through the app-based Scheme. The thinking was that UK employers would therefore also still likely have access to a large part of the existing EU labour force already in the UK.

Glass half-empty

Yet, for all of this, it was also clear that for some businesses the switch from EU freedom of movement to the post-Brexit immigration system would constitute a labour supply shock that was likely to have a material, if not seismic, impact, on their operations. For these sectors the changes brought in by the post-Brexit immigration system were at best glass half-empty, but some might argue glass smashed.

- Lower-skilled, lower salary and the self-employed: Indeed, the post-Brexit immigration regime coupled new restrictions on EU workers with a liberalisation of the existing rules on hiring non-EU workers. But these changes were not fully compensatory. While some sectors would have meaningful access to new opportunities to fill labour force gaps with non-EU workers, others in practice would not. In particular, in setting minimum skills, salary, and English language, requirements, the new system did not allow for the low paid, the lower-qualified (below RQF 3) and the self-employed, who had all been able to take advantage of the lack of restrictions around those elements to move to the UK under EU freedom of movement rules.

Prior to the COVID-19 pandemic, these were the UK sectors with the highest proportions of migrants in (now ineligible) RQF 1-2 jobs:

Table 1: Job skill mix by sector and the proportion filled by migrants in RQF 1-2 jobs, 2019/20

	Proportion of RQF 1-2 occupations in sector	Proportion of migrants in RQF 1-2 occupations in sector
Accommodation and Hospitality	63%	23%
Agriculture	29%	7%
Manufacture of food and beverages	57%	31%
Residential and social care	44%	19%
Transport	73%	21%
Warehousing	64%	30%
Wholesale and retail trade	57%	13%

Source: MAC Annual Report 2021⁹

- Restricted sectoral relief: This would inevitably be a significant issue for particular sectors, such as hospitality and horticulture, which relied on a steady inflow – in the UK hospitality sector businesses on average replace around 70% of their team each year (compared with the UK average staff turnover of 15%)¹⁰ – and had come to rely on EU freedom of movement for much of the constant new flow required.

The horticultural sector – with its specific temporary, seasonal needs – could not operate on this new basis, and, subject to an annual quota, was therefore granted special dispensation through the Seasonal Worker scheme to bring in migrant horticulture workers to the UK for periods of up to six months (now also including pre-Christmas poultry workers), even though they are working below the skills and salary level set by the system.¹¹

But, initially at least, other than this no further sectoral dispensations schemes were put in place for migrant workers not meeting the skill and salary thresholds, meaning those workers could no longer be hired from overseas.

- **No transitional regime:** The government understood that the adjustment to this new system would take time for some sectors to adapt to. For this reason, the original 2018 White Paper proposal for the post-Brexit system included provision for a transitional temporary regime. The proposal was that UK businesses could continue to make use of temporary labour (on contracts of up to 12 months) even if those workers did not meet the skills and salary requirements of the new regime.¹² But the transitional temporary mechanism was a casualty of the changing political scenery of the period between the 2018 proposed ‘skills-based’ version and the final, 2020 ‘points-based’ version of the system. The final outcome was that no transitional regime was allowed to employers.
- **Costs:** Even where an overseas employee that an employer wished to hire was eligible under the new skills and salary threshold, the multiple layers of costs to both employers and workers of hiring overseas workers under the sponsorship system were now applicable across the board, as set out in the below summary (absent certain very specific exemptions and allowances) taken from the MAC’s 2021 Annual Report:

Table 2: Breakdown of costs

Fee	Cost	One-time payment?	Fixed or per worker
Worker Sponsor Licence (Small/Medium & Large)	£536/£1476	Must be renewed every 4 years	Fixed
Certificate of Sponsorship	£199	Yes	Per worker
Immigration Skills Charge (Small/Medium & Large)	£364/£1000 per year	Yes, all paid at CoS application	Per worker
Visas less than 3 years	Skilled workers	Yes	Per worker
	Shortage Occupation		
	Health and care		
Visas more than 3 years	Skilled workers	Yes	Per worker
	Shortage Occupation		
	Health and care		
Healthcare fees	£624 per year	Yes, all paid at visa application	Per worker
English Language Test*	≈£180	Yes	Per worker

Source: MAC Annual Report 2021¹³

These costs are not only high absolutely, but also relatively so, in comparison with other countries:

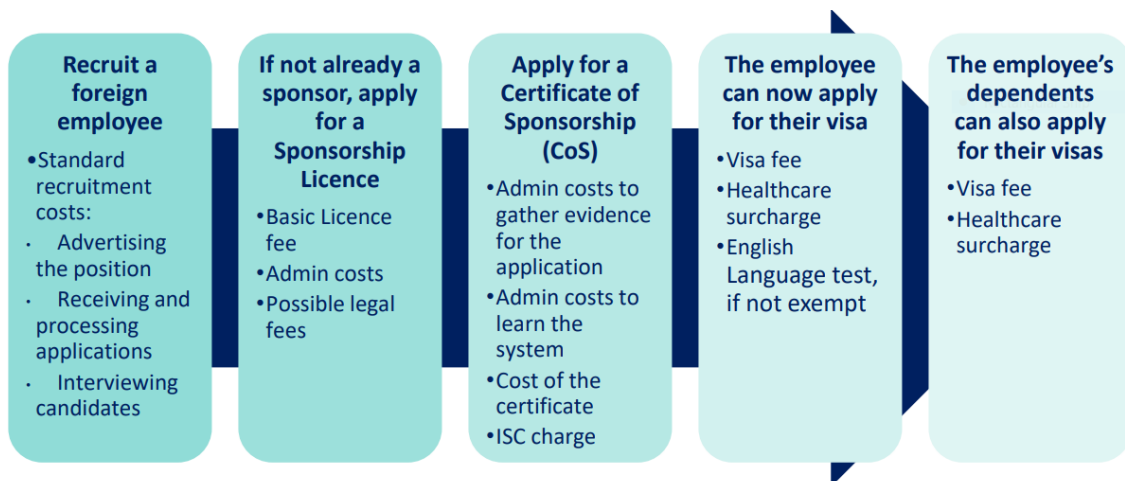
Table 3: Cost of Skilled Worker visa

Country	Family of 5 for 5 years	Single applicant for 3 years
UK	GBP 24,589	GBP 5,681
Australia	AUD 24,812.58 (£13,310.40)	AUD 8,537 (£4,580)
Canada	CAD 2,420 (£1,393)	CAD 470 (£272)
Germany	EUR 1,340 (£1,150)	EUR 175 (£150)
France	EUR 1,695 (£1,453)	EUR 324 (£278)
United States	USD 7,240 (£5,254)	USD 2,650 (£1,923)

Source: APPG on Migration¹⁴

- Other burdens of the sponsorship system: If an employer had previously only hired overseas-born workers under the frictionless process of EU freedom of movement, they had not only not had to engage with the costs of the employer sponsorship system, but also with its administrative burdens, organisational requirements and legal responsibilities.

Figure 2: The stages of a Skilled Worker visa application Source: MAC Annual Report 2021¹⁵



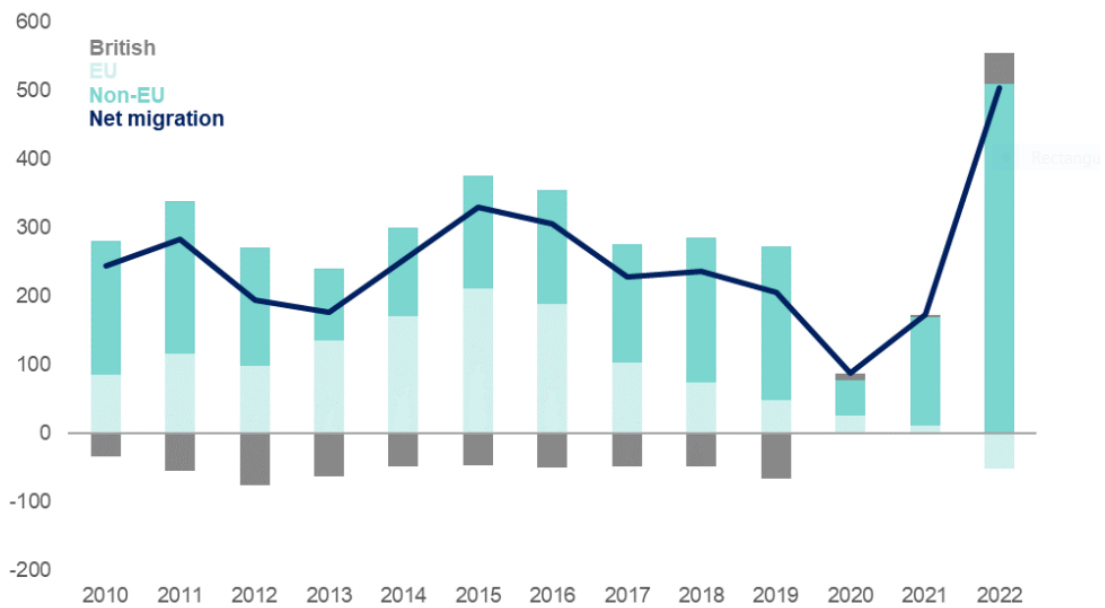
- SMEs: Employers' reaction and response to the new system was dependent on familiarity, preparedness, and resources. Indeed, for employers already familiar with the existing sponsorship system, the new system might seem to compare favourably with the previous one. But this was not the case for those who had not used the existing sponsorship system at all because they had relied on EU freedom of movement. There is considerable start-up friction to using the sponsorship system; to get organised to do so, to become familiar with all the payments, processes and requirements. The costs are disproportionately high for those utilising the sponsorship system for the first time, at lower salary levels and at lower scale. While the cost of the sponsorship licence and the Immigration Skills Charge are weighted by size of employer, other costs are not, nor are they tied to the level of wage being paid. All of which were likely to be a particular headwind for many SMEs using the new system.

CHAPTER TWO – THE (SECTORAL) STORY SO FAR: WHERE HAVE ALL THE MIGRANT WORKERS GONE? LOOK AT ALL THE MIGRANT WORKERS ARRIVING!

So this is how the new system was set up in theory. What has the story been so far in practice?

The headlines have highlighted how strong net migration to the UK has recently been as the borders and the economy have fully re-opened and re-tooled post COVID-19.

Figure 3: UK net migration by nationality group, years ending June (thousands)



Source: Provisional estimates of long-term international migration, August 2020, November 2022. Yearly figures use mid-year (June) estimates.

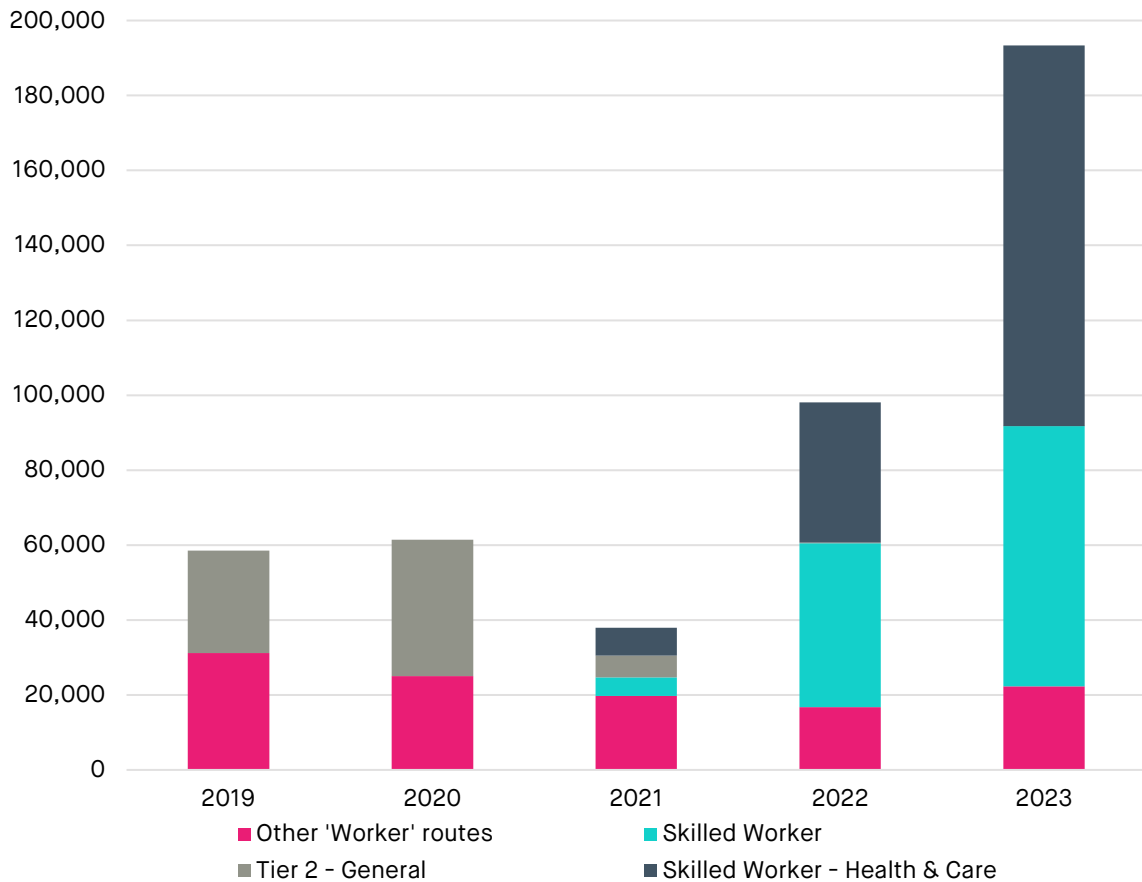
Note: the ONS changed its method for estimating international migration in August 2020, meaning estimates before and after this point are not strictly comparable.

Source: MAC Annual Report 2022¹⁶

As net migration from the EU has fallen towards zero, migration from outside the EU has reached record levels. This overall picture though is not necessarily a result of the new labour immigration system. Labour immigration is just a subset of the overall figures. These have clearly also been impacted by a broad sweep of developments unrelated to the new labour immigration system. This includes a resurgent inflow of overseas students (and their dependants) to study in the UK post-pandemic.¹⁷ In addition, there are those taking up the UK's offer for sanctuary from the conflict in Ukraine, and from the crackdown on pro-democracy activists in Hong Kong, which between them constituted 45% of the increase in visa grants between 2019 and the year ending June 2022.¹⁸

Nevertheless, numbers of overseas workers arriving under the Skilled Worker and Skilled Worker – Health & Care visas have been a significant contributor to recent overseas arrivals into the UK.

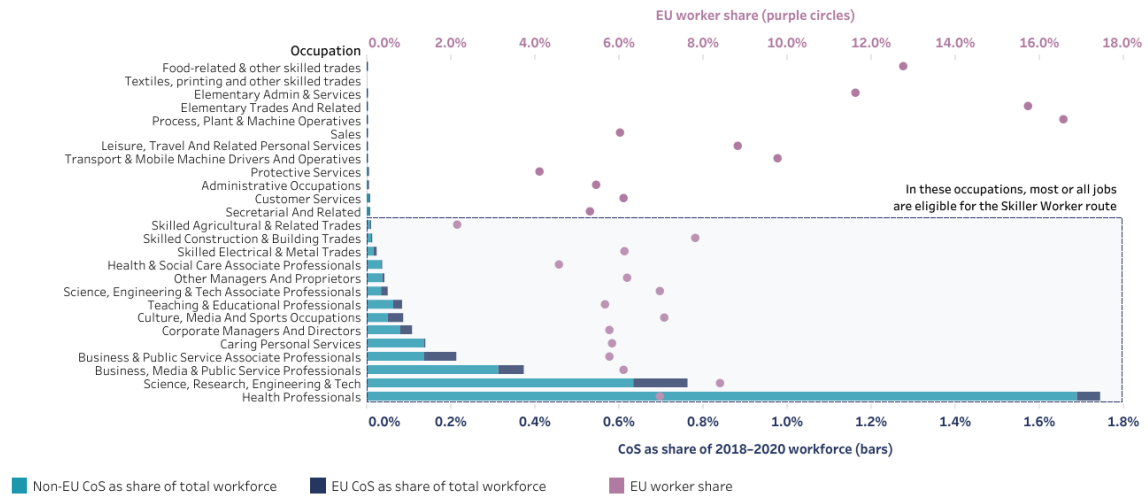
Figure 4: 'Worker' visas granted to main applicants between the year ending March 2019 and the year ending March 2023



Source: Home Office Immigration system statistics, year end March 2023¹⁹

The evidence shows that non-EU citizens clearly understand that the UK labour regime is now more open to them.²⁰ Whereas there has been a significant underutilisation of the employer sponsored route for bringing in EU workers. EU citizens have so far made up only around 7% of the cumulative total of Skilled Worker applications under the new regime, and the picture has been very much one of 'back to the future'; just as a few decades back, the top three EEA nationalities coming to the UK for work in 2022 were French, German and Italian.²¹

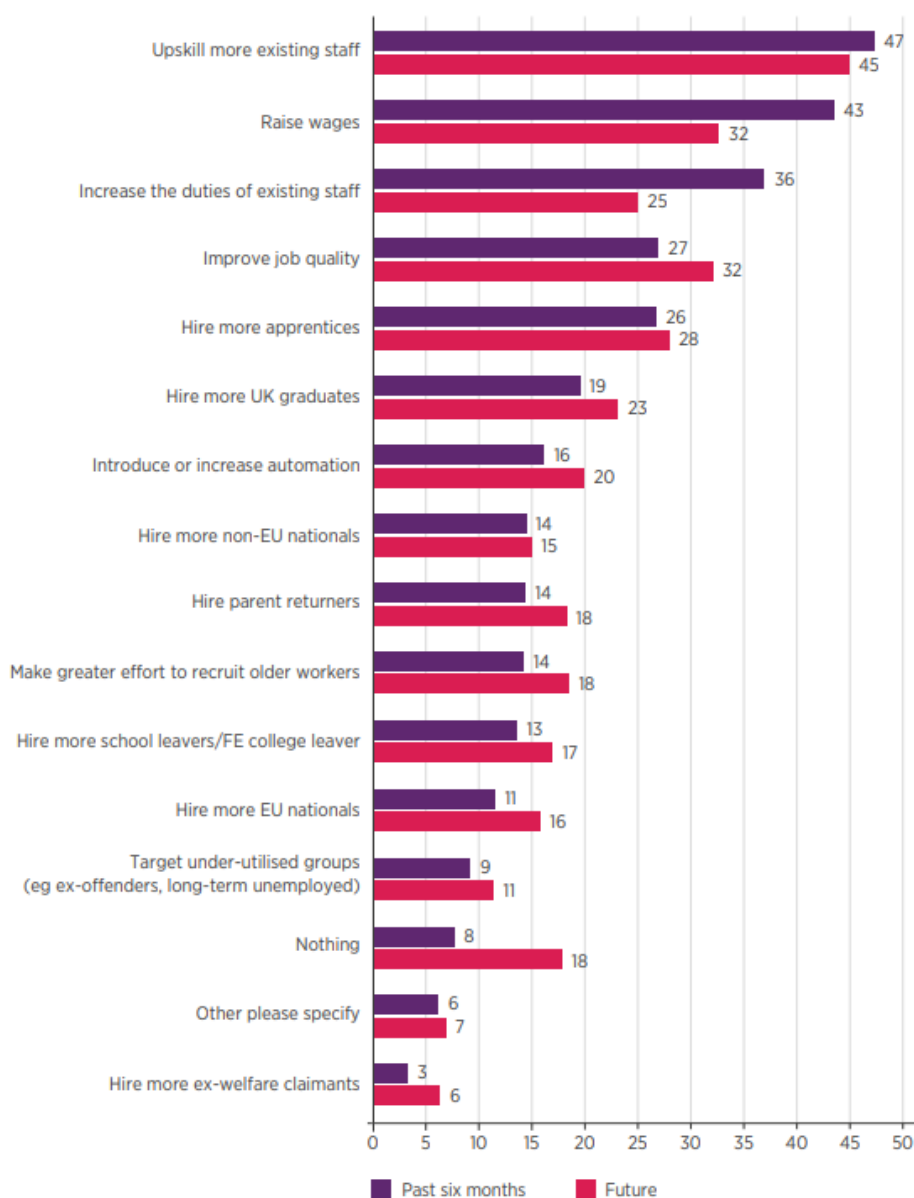
Figure 5: Skilled Worker Certificates of Sponsorship (CoS) granted in 2021, as a share of the 2018–2020 workforce



Source: *The Migration Observatory*²²

As the MAC has pointed out, it remains unclear to what extent the success of the EU Settlement Scheme has “tempered initial demand for EEA workers, such that the proportion of EEA nationals in the Skilled Worker route may increase in future”.²³ There are signs that employers’ considerations may be beginning to turn more towards hiring more EU nationals again. The most recent CIPD Labour Market Outlook shows more UK employers thinking that in the future they will be looking to hire EU nationals than non-EU nationals, a reversal of the most recent trend.

Figure 6: Employers' planned response to hard-to-fill vacancies (%)



Base: winter 2022/23, all employers with hard-to-fill vacancies (n=1,133).

Source: CIPD Labour Market Outlook²⁴

Another key question; is the failure of smaller employers with no previous experience of the sponsorship system to engage with the new system a temporary phenomenon – they will over time adapt and adopt a more engaged stance with the opportunities of the sponsorship system – or rather does it represent a more permanent refusal to engage with the bureaucracy and costs that the sponsorship system entails?

In 2021, an estimated 9% of the UK's large employers (250 employees or more) sponsored at least one EU worker, whereas only 0.3% of small employers (10-49 employees) did. Of those sponsoring employers, two-thirds had previous experience of sponsoring non-EU workers under the old system.²⁵ This might also explain why London is seeing outsized sponsorship of EU workers versus expectations, as it was a region that already sponsored large numbers of non-EU workers prior to Brexit.²⁶

Overall though, the numbers of employers applying for sponsor licences – although this includes licensed sponsors for study as well as work – now seems set in a robust growth pattern. Sponsor licence applications in Q4 2022 were 63% more than in the same period in 2021.²⁷ And for Q1 2023 they were 67% more than in the same period in 2022. For the year ending March 2023, 23,068 sponsor licences were granted, a 79% year on year increase.²⁸

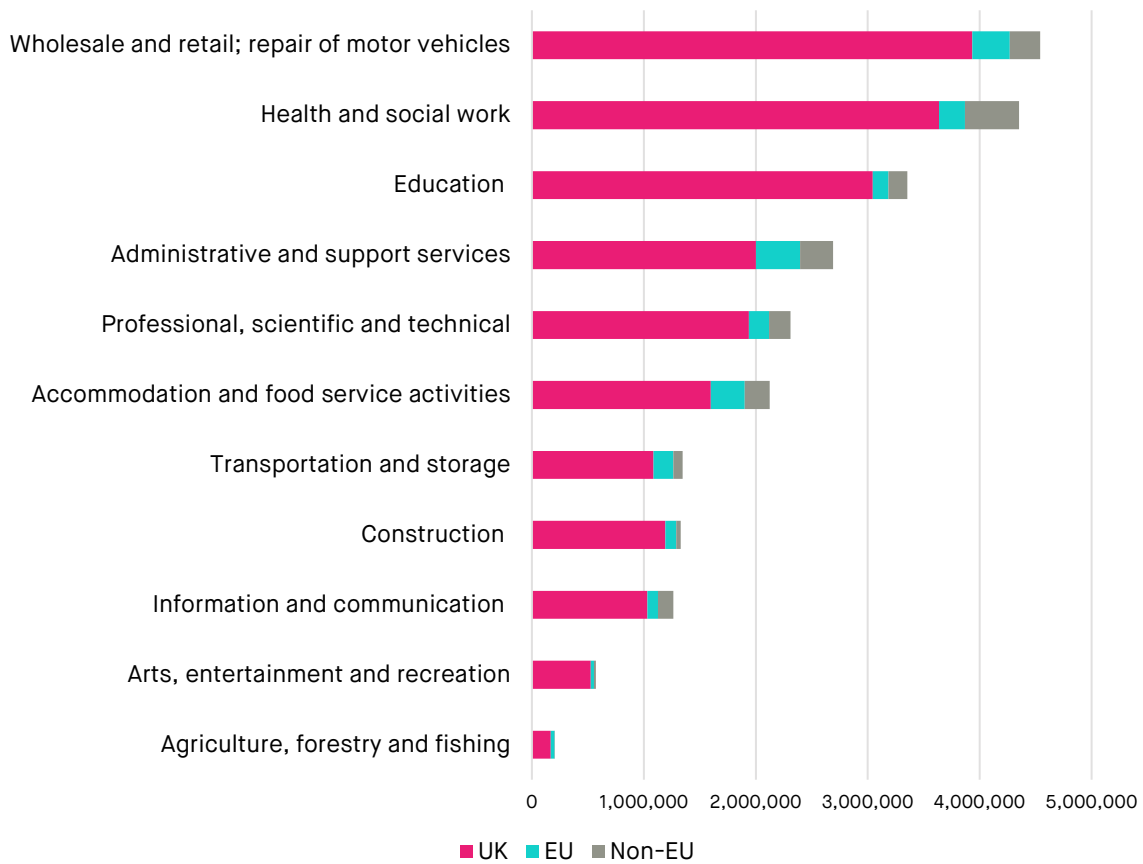
At a high level the sectoral story appears to have played out in the predicted glass half-full/glass half-empty way:

- Some higher-skilled, higher paying occupations, in particular in healthcare, that had already been used to recruiting under the sponsorship system outside of EU freedom of movement, have seen very strong immigration flows under the post-Brexit sponsored Skilled Worker route – payrolled employment data shows that non-EU nationals in the health and social care sector rose by 19% (75,900) in the two years to June 2021²⁹.
- But many occupations that had been most reliant on EU freedom of movement have seen low inflows under the new system. Not surprisingly, this has been particularly pronounced in the hospitality sector that had used EU freedom of movement to replenish workers in higher turnover, lower-paid jobs, and which has nearly two-thirds of its roles categorised as RQF 1-2, so ineligible for the Skilled Worker route. It has also been a feature in the construction sector though, where a far lower proportion of jobs – only 20% – are ineligible for the Skilled Worker route, but where there are a large number of SME construction firms which have not previously engaged with the sponsorship system.³⁰

In terms of the promised streamlining improvements to the sponsor management system itself, policy reforms such as the removal of both the cap on numbers through the Skilled Worker route and of the delay caused by the application of the Resident Labour Market Test have made a difference. The new system is rated as very effective for having been able to process the increasing flows through it.³¹ While the system still awaits more fundamental reform, with process reforms – around becoming a sponsor, managing a licence, and sponsoring a visa – due to start coming on line in 2023,³² the impact of the pandemic and technological developments has seen core processes move increasingly online.

Different sectors make different use of, and have different exposure to, overseas workers:

Figure 7: Count of payrolled employments by industry and nationality, UK, June 2021



Source: ONS³³

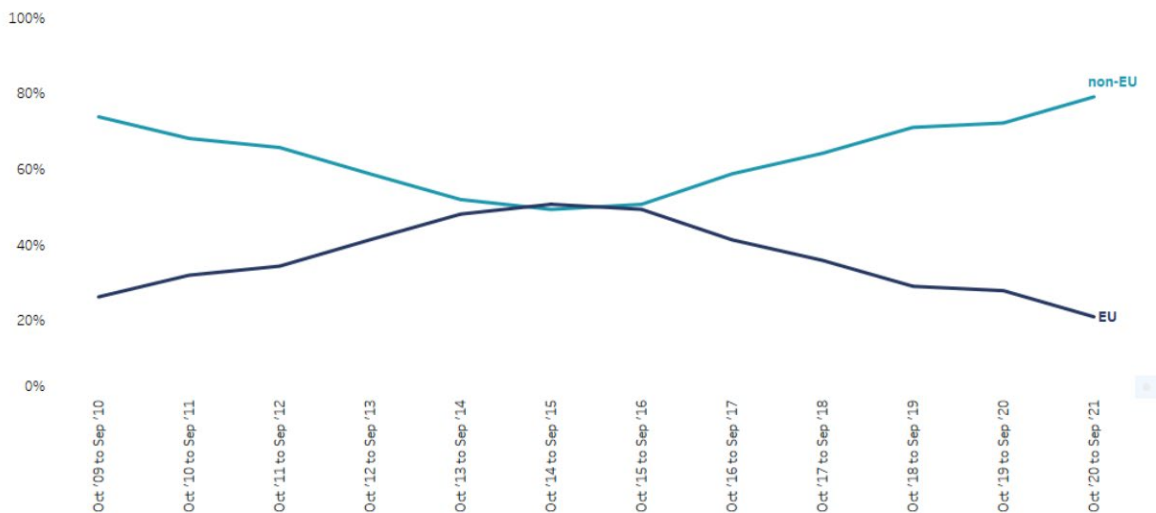
At a sector level, the health and care sector has dominated the use of the post-Brexit labour immigration system, making up 45% of applications (with nurses predominating) in 2022, with the ICT sector second at 13% and professional, scientific and technical activities sector third at 11%.³⁴

From an already strong position, the outsized level of the health and care flows shows no signs of abating. In the year to March 2023, ‘Skilled Worker – Health & Care visa’ grants to main applicants further rose over two and a half times to over 101,570.³⁵ This reflects how in demand the sector’s jobs are in the UK; both in the sense of people wanting to work in this sector in the UK, and also in terms of the sector seeing greater demand for its services and therefore needing more people.

In this sector, unsurprisingly the RQF 6+ roles that had traditionally been sponsored pre-Brexit continue to see strong inflows under the new regime. But 2022 saw a rapid growth in applications for below RQF 6 roles, a shift linked to a change to the new system. In February 2022, care workers became eligible for the Skilled Worker – Health & Care visa, and were included on the Shortage Occupation List, in response to the MAC’s recommendation in its 2021 annual report. In the year to end of March 2023 over 40,000 care workers and home carers – around 40% of the overall Health & Care visas issued – came to work in the UK under this route.³⁶ And the increased use by SMEs of the social care routes meant that in the first 9 months of 2022 smaller employers made up a greater share of visa applications than in the previous year, albeit still only 19%, up from 14%.³⁷

One of the reasons that flows of EU nationals under the new immigration regime have been so subdued is that in 2022 they represented only 1% of grants of Skilled Worker – Health & Care visas.³⁸ Another feature of the healthcare sector from an immigration perspective is that, in having a history of using the sponsorship system and recruiting from outside, as well as inside, the EU, it exhibits a large degree of flexibility and substitutability between non-EU and EU workers.

Figure 8: EU and non-EU staff joining the NHS, as a share of non-UK joiners (FTE, excluding those of unknown nationality)



Source: NHS Hospital and Community Health Services (HCHS): Annual turnover of HCHS staff by staff group, grade, customer specified nationality group and NHS England region, in NHS Trusts & CCGs in England, between 30 September each year, 2009 to 2021, full time equivalent & percentage.
 Note: Figures are presented as a percentage of EU or non-EU new joiners. This is because from 2019 to 2021 the share of workers with 'unknown' nationality substantially decreased due to improvements in data collection; therefore presenting the figures as absolute numbers can distort the overall picture.



Source: *The Migration Observatory*³⁹

In terms specifically of the opportunities for hiring from overseas into social care roles, while this has been significantly improved by key care roles becoming eligible for the Health & Care visa and included on the SOL, healthcare roles under that same visa in many ways themselves constitute social care’s biggest competition. As the MAC puts it:

“Roles in the NHS often compete with the social care sector. This means heavily funded NHS recruitment campaigns can make it difficult for social care employers to hire enough workers. DHSC recruiting policies, driven by NHS demand, may also affect the quality or experience of the talent pool available to employers in the care sector, particularly in times of increased demand for care. The scale of the NHS, and the salaries and benefits it is able to offer, can make it difficult for the social care sector to compete. With high vacancy rates also seen in the NHS, this dynamic is likely to continue. We recommend that DHSC and the Devolved Administrations work towards a joined-up approach when planning and executing recruitment campaigns for the health and social care workforces.”⁴⁰

The post-Brexit immigration regime was built on the back of the EU Settlement Scheme; the idea that employers would still have access – with no additional cost or sponsorship requirement and obligations – to a large pool of EU workers already in the UK who had applied through the EUSS and were allowed to remain and work in the UK as long as they wanted. In some sectors this certainly seems to have had an impact. In the care sector, where there was particular concern as a result of Brexit at the “increasing reliance of the sector on workers from the EU”, Skills for Care data at March 2022 found:

“no Brexit-effect’ across job roles. There have been no reductions in the number of EU nationals employed as care workers, with numbers consistently increasing since 2012/13 and no declines registered since the Brexit referendum. As yet no large impact across the care workforce as a whole has been registered.”⁴¹

What the EUSS and the post-Brexit labour immigration regime could not foresee though was the COVID pandemic, and its dual impact on the UK labour force:

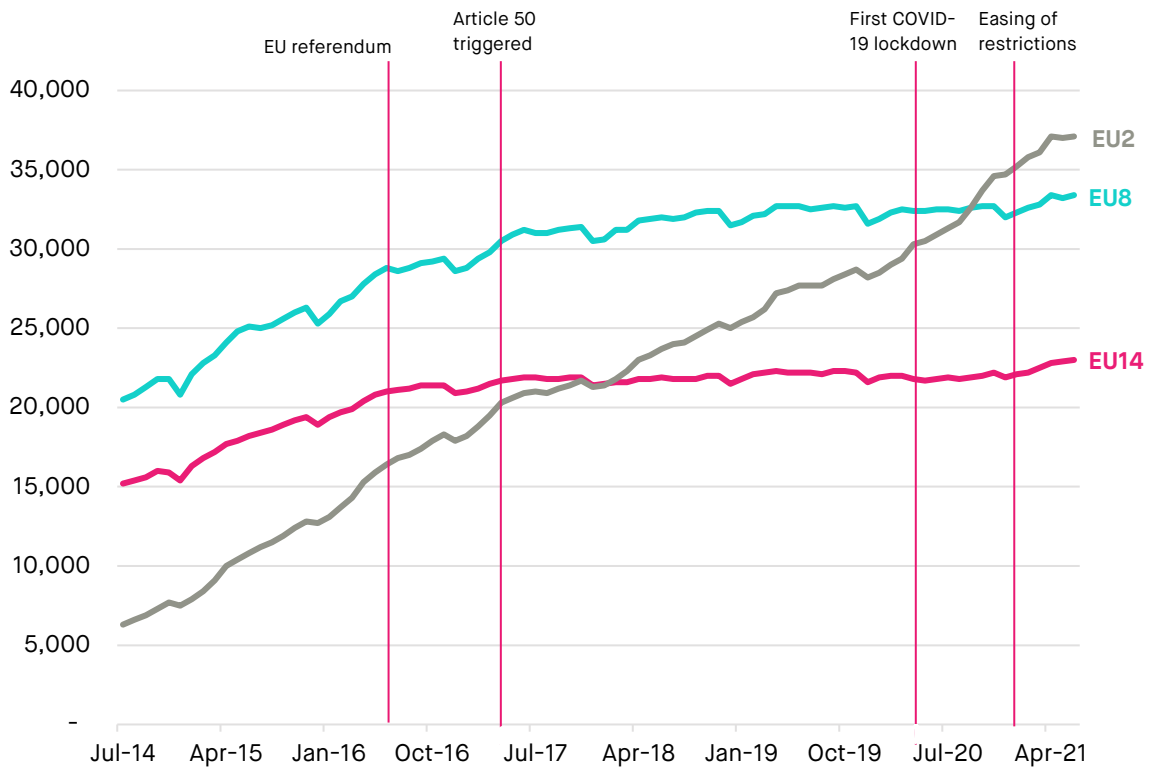
- overseas workers returning home during the pandemic in greater numbers than would otherwise have been expected;
- high levels of economic inactivity of UK workers continuing even after the pandemic had receded.

The question in both cases: were those workers gone for good from the UK workforce, or would they return?

In the case of migrant workers, the impact of the pandemic overlapped with that of Brexit to sometimes reinforce, almost always to complicate, developments, sometimes at first masking them, only later to reveal them. The overall result though was, in the MAC’s words, that the impact of the pandemic served to bring forward the labour shock that the post-Brexit immigration system had been designed to achieve.⁴²

This did not impact all sectors the same though. Those sectors that continued to operate during the pandemic, indeed which received a demand boost from it – health and social care, transport, construction – continued to see a net increase in overseas-born workers, including EU workers. Construction is a sector where it is hard to discern much impact at all from Brexit or COVID, at least by looking at the payrolled employments of EU workers in the sector.

Figure 9: Monthly counts of payrolled employments in the construction sector by nationality, UK, July 2014 to June 2021



Source: ONS⁴³

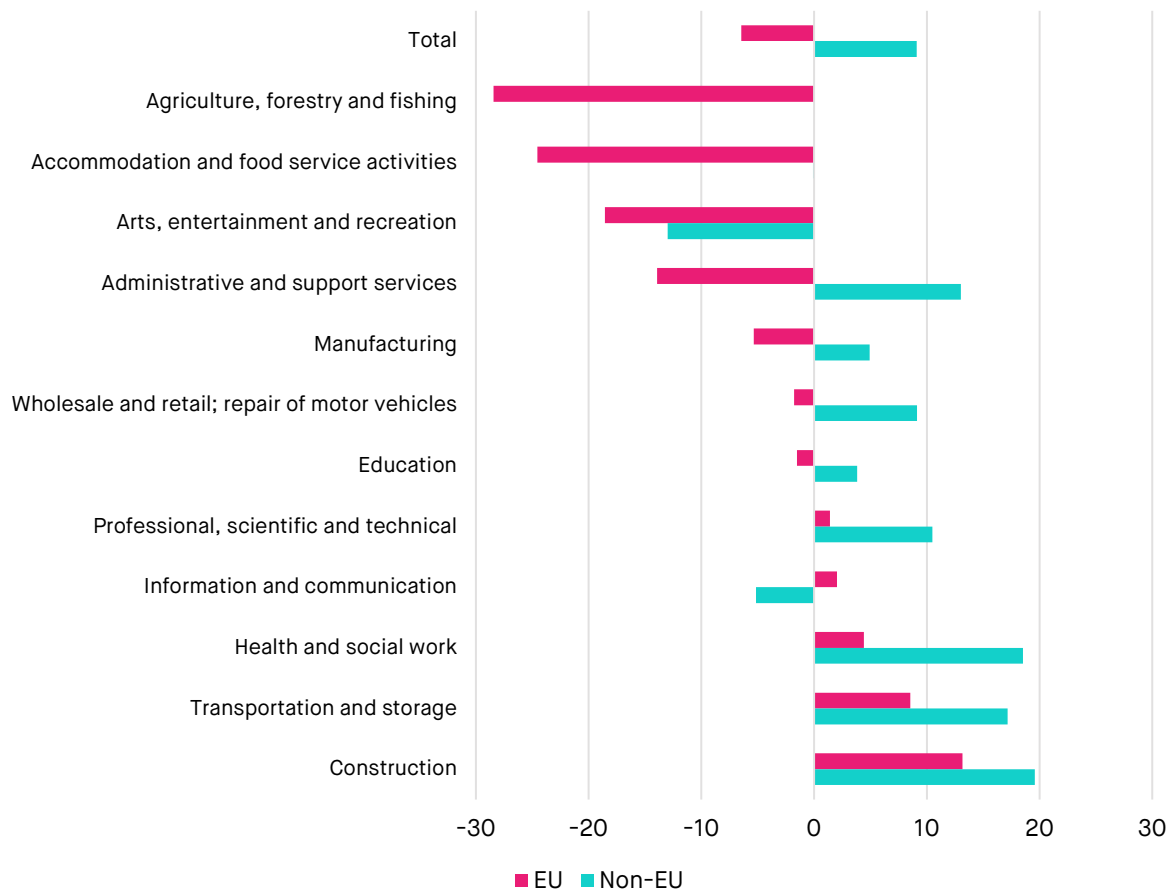
The extent of the permanent overseas-born worker ‘exodus’ from the UK due to Brexit and the pandemic is still disputed. It will likely forever remain so.⁴⁴ But in the transportation sector the exodus from the workforce appeared to be primarily attributable to the actions of long-term resident workers rather than overseas-born ones:

“Over 2020 and 2021, there is evidence of a decline in payrolled employments of UK nationals in this sector, resulting in a 5% (52,600) decrease by June 2021 compared with the same month in 2019. Meanwhile, payrolled employments of EU and non-EU nationals in this sector saw an increase over this time. By June 2021, payrolled employments of EU and non-EU nationals had risen by 9% (13,900) and 17% (12,200) compared with the same month in 2019.”⁴⁵

One aspect of both the construction and transport sectors prior to Brexit though was their significant use of self-employed labour, for a mix of structural and tax reasons. Prior to the end of freedom of movement, self-employed EU nationals accounted for 5% of the total construction workforce.⁴⁶ So payrolled employment figures may not tell the whole story of what has been happening in that sector. The employer sponsorship system does not allow for self-employed workers. Payrolled employment figures might therefore not necessarily reflect new workers, but rather workers shifting from self-employed to employed status. This might be the case even for those overseas workers with entitlement to remain in the UK, and therefore no need to be sponsored under the new system, as the UK's IR35 tax reforms have made self-employment less tax advantageous even aside from the immigration rule consequences.⁴⁷

Certain sectors though have been materially impacted by significant reductions in the employment of EU nationals.

Figure 10: Percentage change in payrolled employments between June 2019 and June 2021 by industry and nationality, UK



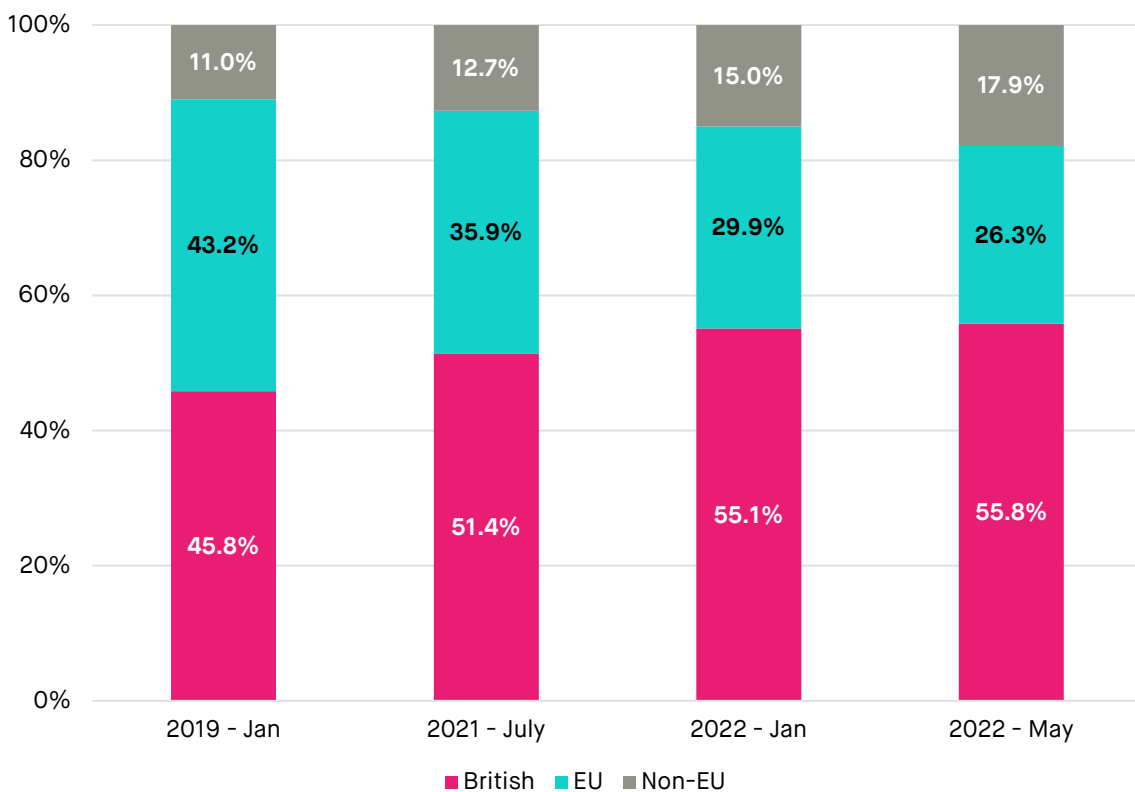
Source: ONS⁴⁸

Many parts of the UK hospitality sector, for example, with their significant use of lower-skilled EU workers, faced a double whammy. They were not only more exposed to the impact of Brexit, but also to that of COVID. The pandemic accentuated the very different experiences of different sectors in terms of their ability to retain and attract workers more generally, and immigrant workers in particular. And EU workers tended to be over-represented both in the sectors – such as hospitality – and in the types of less secure employment arrangements that were most adversely impacted by the effects of the pandemic.⁴⁹

A reinforcing effect was initially masked by the pandemic, but became clear once it had receded and the economy reopened. In greatly reducing the need for the hospitality sector’s services for a period, the pandemic made it more likely that overseas workers in the sector would return to their families in their home country. They were even more likely to do so if their home country was relatively nearby – in the EU – and therefore more practically accessible. Having returned, those returners were now more likely to reassess their life plans; did they wish to remain in the UK at all, let alone stay in the same job?⁵⁰ It was the hospitality sector, with a net decline of around 100,000 EU workers, which primarily drove the overall decline in the employment of EU workers in the UK in the two years to June 2021.

Overall employment in the hospitality sector is now back above pre-pandemic levels⁵¹ but this graph from Fourth’s workforce report shows how the relative nationality make-up of the hospitality workforce has shifted as a result.

Figure 11: The make-up of the hospitality workforce



Source: Fourth⁵²

This does not mean though that all is well. The MAC recently reiterated the existential problem that a sector such as hospitality faces when its pay growth at the lower end is little more than a reflection of the trajectory of the statutory minimum wage⁵³.

At the other end of the impact spectrum though, in the IT sector, the pandemic's impact positively supported an approach that had already begun to take root; the ability to access overseas workers without the need for migration at all, and to work effectively together remotely without being in the same location. The MAC, utilising Indeed job search data, has shown that roles that had already begun to embrace remote working prior to the pandemic were those that most increased remote working as a result of the pandemic. The top two remote working sectors in September 2021 were software development and IT operations & helpdesk, with proportions of remote workers at 37% and 27% respectively.⁵⁴

Remote working might be driven by the preferences of existing staff but, more fundamentally, it opened up opportunities to secure the services of new staff from anywhere in the world, without anyone needing to move. Intermediaries have begun to pop up to make these matches across the globe; one example is Andela⁵⁵, matching the supply of remote working software engineers in less developed markets with demand for those skills in the Global North.

From the particular perspective of some UK companies, there was a further angle to the emerging remote opportunities. The impact of Brexit did more than just end freedom of movement to the UK for work; it removed UK companies from the EU. Having remote workers in the EU provides those companies not only with the flexibility to access EU talent, but potentially, if they so choose, to rebuild their own footprint in the EU and to avail of the benefits of the single market from inside the EU.

Looking at the same developments from the other side of the lens, the pandemic provided migrants' countries of origin with an opportunity to reconnect with some of their most talented emigrants as they returned home. The fact that wages and costs of living were relatively low in the home country could now be turned from a weakness into a strength, if the lower costs of living could be paired with having remote access to the job opportunities and higher wages of the UK. Some European countries such as Greece, Portugal, Croatia and Poland offered their returning citizens grants and financial support, tax breaks, reintegration support, to convince them to stay.⁵⁶ A number of countries have gone further, making the same pitch to non-citizens. Digital nomad visas, which allow residence for the purpose of cross-border remote working, are now offered by over 40 countries.⁵⁷

CHAPTER THREE – THE INSIDE PERSPECTIVE FROM EMPLOYERS ON THE IMPACT OF THE IMMIGRATION SYSTEM CHANGES

How far do the inside experiences and perspectives of employers align with the headlines of the glass half-full/glass half-empty story? What other perspectives do they provide?

To better understand how the post-Brexit immigration system is being experienced by, and impacting on, employers in practice, we:

- interviewed a cross-section of organisations (larger employers, SMEs and industry bodies) in the UK operating in five sectors: hospitality, IT, care, construction, and transport, focusing on various aspects of their engagement with, and use of, overseas workers in the context of their labour needs, other options for meeting them, and their experiences of operating under the new post-Brexit labour immigration system. The sectors were chosen because of their use of overseas workers, but also their varied experiences of the impact of Brexit and of the pandemic, and also their different usage of the post-Brexit labour immigration system.
- collaborated with the Chartered Institute of Personnel and Development to include specific immigration focused questions in the CIPD Winter 2022/23 Labour Market Outlook, an online survey of employers administered by YouGov. These questions focused on the reasons for employers' (non)use of the employer-sponsorship system, their experiences of the system, the extent to which they make use of other routes to hire overseas workers, and non-immigration policy related barriers employers face to recruiting those workers.

What we learned from the interviews

Some themes coming out of the interviews flow across sectors; others were more sector specific.

Cross-sectoral themes

Attractiveness of the UK to overseas workers

Some employers reported that immediately following the EU referendum vote some EU workers understandably felt disconcerted, and unwanted in the UK. But they felt that phase had relatively swiftly passed.

Employers with experience of multiple markets still on the whole view, and indeed see their prospective overseas employees as viewing, the UK as a relatively attractive place to work. This is from the perspective of the relative ease of use of, and access through, the sponsorship system (although this of course cannot compare with the ease of access under freedom of movement) – see below for employer views on the comparison of the operation of the UK sponsorship system with sponsorship systems operated by other countries. But also from a broader perspective; of living and working in the UK in terms of prospects, opportunities but also the attractions of UK culture and speaking the English language.

EU Settlement Scheme

Employers were keen for their existing EU workers to apply through the EUSS so as to be able to stay and work on the UK. They appreciated the EUSS' relatively simple administrative nature and its user-friendly interface. Employers' experience was that in lower-paid roles the level of English language ability had declined though in later cohorts of EU workers that had arrived under freedom of movement in the years before Brexit. As a result, navigating the EUSS for this cohort was still not without its challenges.

There were differences in how actively employers had engaged in supporting their staff through the process. Some proactively supported their staff through the process through presentations, guides and assistance on how to apply. Other employers were more hands off. Some larger employers were particularly wary of privacy concerns and not wanting to appear prejudiced or to be acting discriminatorily against those workers not planning to apply. This latter group of employers tended therefore to restrict themselves to merely providing information about the Scheme, rather than more actively getting involved and tracking what actions their employees took. As a result, their ability to plan their workforce resourcing was hampered; they did not know which of their staff had applied to stay through the EUSS unless those staff volunteered that fact.

Employers in sectors previously more reliant on lower-paid EU workers are understandably particularly interested in hiring from the pool of labour in the UK that has status under the EUSS so can freely work here. There has been some concern though about employing workers with pre-settled status, given the requirement that those workers subsequently need to take action to actively upgrade to full settled status to continue lawfully working in the UK. This can be difficult to track, and it was unclear what assistance workers would require with this next stage. Since we carried out the interviews though, the courts have determined, and the Government has accepted, that the Government must change its requirement that those with pre-settled status must re-apply in order to gain settled status. This should help alleviate the immigration status concerns that employers may have about hiring from the pre-settled status cohort. But to achieve that this change will need to be publicised.

Management capabilities and responses to the end of freedom of movement to the UK

Back in early 2018, even before the pandemic had its effect, looking forward to the end of EU freedom of movement to the UK, the MAC said:

“Many businesses do not seem well-prepared for a changing and tighter labour market in which they may be competing with each other for labour more intensively than in the past; still fewer seemed to be making provisions for change.”⁵⁸

Has this been borne out? Sectors are of course very different in a number of respects between each other, but *within* sectors there is also a huge range of capacity, capability and sophistication of businesses. In general, firms towards the higher end of that range are most likely to recruit migrant workers *and* to seek to develop and recruit skills locally. But relatively few organisations seem to actively engage in strategic workforce planning.

Towards the lower end of the range are large numbers of firms without dedicated human resources professionals, with low people management and development capability, and little bandwidth to invest in much beyond baseline compliance with labour legislation.

Costs and their allocation

As already outlined, there are multiple different fees/charges to pay to bring a skilled worker (and their family) into the UK. There was unanimous agreement across all shapes and sizes of employers and sectors that the fees/charges of the sponsorship system were its biggest drawback. Even those employers overall well-disposed to the workings of the new system view the fees/charges of the process as a significant negative factor, particularly where the employee is accompanied by their family, with the extra costs that entails. On top of that, the extra cost of the priority service route is viewed by many employers as a necessity, not an option, in the light of the processing wait-times in the system otherwise.

Some of the fees/charges are applicable to the employer and some to the employee, but who pays them in practice? As the MAC said in its 2021 annual report “Further evidence is required on who ultimately pays for the immigration costs and whether employers are able to pass on costs to the migrant.”⁵⁹ Or, to put it more positively, to what extent are employers willing to pay some for all of the costs attributable to the employee?

Some larger employers that we spoke to in higher wage sectors did bear all the costs of the visa and charges on behalf of their employees that they brought in, including their families. But, given the high cost of doing so, not all employers are willing to do this. One employer said that while it had done so in the past, the current level of the costs, and the fact that they had to be paid on an upfront basis, meant that it would only now do so on an exceptional basis.

The operation of the employer sponsorship system

In terms of the day-to-day workings of the employer sponsorship system, given the first due dates for the Home Office’s promised improvements of the system were pushed back into this year, it is not surprising that there was little evidence of this yet in the feedback from employers. Some though did note that processing times for visas had sped up. Others though commented that while they had initially experienced this it felt that subsequently this had since reversed, although they did acknowledge that the Home Office had been impacted by multiple unforeseen priorities which had diverted resources, most particularly the rapid establishment and operation of the Ukrainian humanitarian schemes.

It is not surprising that the IT sector is perhaps the most critical of the system's overly bureaucratic and perceived outdated technological approach and feel. In this regard the Home Office may be a victim of its own success with the EU Settlement Scheme phone app. The simplicity of that was possible because of the simple eligibility criteria under the EUSS. It is unrealistic to think that all Home Office applications can be made that simple and user friendly. Nevertheless, it set a new standard, and some parts of the business community are frustrated that the employer sponsorship system has so far not followed this lead more closely.

One specific area where the operation of the system does come in for criticism from employers is the administration around switching employees from one sponsor to another. Despite the official guidance available in this area, there seems to be particular confusion around the application of the 28-day start date rule in these circumstances.

Shorter term assignments

The rules around bringing in overseas workers for shorter-term work assignments is an area of confusion and uncertainty. This is where businesses want to bring in overseas employees for a relatively short period of time, so do not want to have to go through the process of applying for a longer-term visa under the Skilled Worker regime, but nor is just bringing them as a business visitor sufficient.

This is particularly relevant for sectors such as IT and construction which like to operate by bringing in a range of mobile workers for specific dedicated shorter-term projects and tasks lasting months rather than years.

It is expected though that later this year the permitted range of short-term business activities that can be carried out for periods of up to six months will be expanded by the Government, which might improve matters in this regard.

Resident Labour Market Test

The new system's dispensing with the requirement of having to carry out the Resident Labour Market Test (RLMT) before an overseas worker can be hired seems to be viewed across employers as the single most welcome change to the new post-Brexit system.

But at the same time the experience of employers in some sectors was that while the test had gone, the mentality that underlies the RLMT to some extent still remains. The operation of the Home Office's requirement of proof of 'genuine vacancy' has been experienced by some employers as in effect a closet way of applying the RLMT.

Comparison of the operation of the UK employer sponsorship system with sponsorship systems operated by other countries

A strong theme across employers who had relevant experience of sponsoring employees in other countries was that they found the UK system to be clearer, less complex, and generally more certain to navigate than sponsorship regimes operated by other countries. Even those most critical of the UK regime could not name a country with a more user-friendly sponsorship scheme that the UK should seek to emulate. Indeed, those most critical of the UK regime tended to be even more critical of the equivalent schemes of other countries, from the US to Canada to Australia to Ireland, in terms of the time and effort taken to secure a sponsored visa.

One employer, in comparing the UK system versus the Canadian example, said that the UK was much more quantitative-based – considering the worker as a unit of production and whether that unit met the thresholds for admission – and as such was more certain and clearer to navigate than the Canadian approach which was more qualitative – investigating in demanding detail what the overseas worker was being brought in to do.

An employer in the IT sector – one of the most critical of the UK system’s bureaucracy – still thought it much less bureaucratic than the US system. The UK system was much preferred by the Indian workers that this particular employer was predominantly bringing in. Another employer in the same sector, also highly critical of aspects of the UK regime, viewed it though as much preferable to the ‘horrendous’ US regime.

Use of other overseas routes

While understandably varying across sectors in terms of how many, and which, routes are in practice most useful to them, all sectors seem focused on the extent to which they can use routes outside of the Skilled Worker system to engage overseas workers, alongside efforts they are also making to increase the attractiveness of their offer to the domestic workforce. The advantage of these other routes is that they do not require the upfront administration and costs, or impose the salary and skills threshold constraints, of the employer sponsorship route.

Not surprisingly, those with permission to stay under the EU Settlement Scheme are a core target for hiring employers. But there is also a focus across different sectors on those who come to the UK temporarily under the Youth Mobility Scheme, those who can work in the UK both while, and after, studying in higher education in the UK, and those in the UK on family visas. Recent geopolitical events have in addition resulted in large numbers of those entering through humanitarian routes also being available to work in the UK, including those coming from Ukraine and for those who have British National (Overseas) status from Hong Kong, as well refugees admitted or resettled into the UK.

Sectoral competition

A final important cross-sectoral element, referred to in the MAC's recent annual reports⁶⁰ and which also came out in our interviews, is the perception of heightened competition for workers, both within sectors – employers in the same sector can perhaps unsurprisingly be the biggest threat to each other when labour is scarce – but also between sectors.

The Economist reports stories of baggage handlers and bartenders being lured away by the prospects in other sectors such as warehousing.⁶¹ In our interviews, employers in the hospitality, care and transport sectors were particularly focused on the competition they faced from other roles such as warehousing, and had all experienced other sectors offering attractive competing roles, hiring away those they had hoped to hire or even had initially succeeded in hiring.

In terms of the big picture and the long view, it has been argued that sectoral reallocation of workers is currently relatively low – compared, for instance, with the big shift from manufacturing to services in the 1980s/90s. But these big shifts tend to take place over longer timeframes, fuelled mainly by new workers joining ‘new’ sectors with older workers retiring from ‘old’ sectors, rather than by workers switching sectors.⁶²

While it may be easy to overstate the impact – not least because for many sectors the attractions of other sectors and employers can provide such a ready scapegoat for their hiring challenges – the combination of tight labour markets, giving employees more choice of where to work, with the increasing speed with which new business models can create new job variants and aggressively compete for workers to fill them, does seem for many employers to have brought this cross-sectoral competitive dynamic increasingly into focus and day-to-day reality.

As the MAC has pointed out, aspects of inter-sector competition are also tied both to the ending of EU freedom of movement – as sectors that previously had unfettered access to EU workers now compete over a diminished pool of accessible overseas workers – and to the impact of the pandemic – where job losses in hospitality for example increased the size of the pool of available candidates for other sectors to take advantage of.⁶³

Sector-specific themes

Hospitality

This is the sector that has arguably most suffered a simultaneous direct double whammy – one structural, the other cyclical – from both Brexit and the COVID pandemic. As a result of the collapse in hospitality jobs due to the pandemic, the sector became associated in many prospective employees’ minds not only with low pay and low skill, but also with high-risk – in the sense of low job security. Workers left the sector because, more so than in most sectors, it was not clear whether they would have a job to return to, and for many there was a core aspect of earnings which furlough did not cover: tips.

More so than other sectors, the hospitality sector has also had to adjust to the pandemic-prompted change in travel patterns and work location of those who consume its services – a drop off in the numbers coming into inner city offices, but the greater numbers now consuming in suburban or out of town locations. Perhaps the only challenging aspect of the pandemic that the sector has been spared – as its workforce is younger – is the seeming withdrawal from the workforce of so many older workers that the pandemic precipitated.

The problem for the sector is not so much one of recruitment, but of retention, of convincing employees to view the sector as offering the prospects of a worthwhile career. Turnover in the sector is very high, as reflected in Fourth's 'Hospitality Workforce Report': "With around 6% of the workforce moving on each month, businesses are effectively having to replace around 70% of their teams every year. This dwarfs the UK average staff turnover of 15% per year".⁶⁴ This model faces obvious challenges when the flow of new recruits from overseas is restricted.

The sector is often viewed by employees as simply as an initial staging post to a job in a different sector. In some ways the restricted nature of career opportunities is built into the broad-based pyramid structure of many of the more traditional opportunities in the sector; with many staff but very few managers and therefore relatively few opportunities for career advancement. There is arguably a potential broader societal benefit from people taking lower-level jobs in hospitality before moving on to other jobs. Hospitality roles can provide a great entry level into the labour market, providing customer-facing, communications and teamwork skills.

In hindsight, it may seem unwise for the sector to have so relied on EU freedom of movement to supply a steady stream of new low paid employees who would work in the sector for a period before moving on, and being replenished by yet further recruits. But in the context of the sector's structure and needs it is hardly surprising that EU freedom of movement was seized upon and utilised by hospitality employers in this way. While it lasted the sector created a lot of new jobs based on this formula.

The end of EU freedom of movement has though been broadly accepted by the sector as a reality; a huge windfall that the sector made use of while it was available, but that is not coming back, nor likely to be replaced in the shorter term by any targeted relief provided by the immigration system. The sector will do all it can to argue for inclusion of roles on the Shortage Occupation List, by demonstrating the efforts it is making to fill roles from all available sources, but realises the challenges around that case being accepted, given the current parameters of that process. What is left is much soul-searching, but also some realistic thinking and action, on what self-help approaches could help fill the void and drive the needed adjustment.

One result has been a renewed focus on promoting opportunities in the sector to the domestic market, with the development of the ‘Hospitality Rising’ campaign seeking to much more positively position the prospects of careers in the sector, highlighting the potential to rise through the ranks quickly and manage or own a business.⁶⁵ But this will need to be a multi-year endeavour designed to change the mindset not just of school leavers, but, as importantly, of their parents and teachers, around the merits of a career in the sector. Another development has been some employers more publicly celebrating and promoting the achievement of those who complete their skills training schemes, such as Fuller’s Pubs’ high profile ‘graduation’ ceremony.⁶⁶ The sector is also focused on the potential for recruiting from the un- and under-employed sections of society, from ex-prisoners to disabled workers to the over-50s.

Employers are also revising their proposition to prospective employees, including emphasising the sector’s focus on diversity, equality and on social and environmental issues. But also, of course, on a practical level, this must involve increased pay levels, accommodation offers (in the case of some roles), job flexibility, and more sociable working hours. However, there are limits to what can be done on some of these fronts; much of the sector provides services at less sociable hours and someone needs to provide them.

The hospitality sector also operates in many remote parts of the country, where people are keener to visit than to live. The attractiveness of the sector’s offer to employees is even more important in those more remote parts, where there may be high demand for hospitality workers to service the tourist trade, but difficulty in attracting them without the offer of accommodation.

The result of all these developments is that the relative nationality make-up of the hospitality workforce has recently shifted materially and predictably, as set out in Figure 11 set out earlier, with increasing non-EU, as well as domestic, workers in the sector. This demonstrates that, at least at the edges, the sector has been able to make some use of the post-Brexit immigration system to hire in staff from outside the EU in more skilled roles which are therefore eligible to be sponsored.

Chef is one role where higher salaries are available in the sector and where the sector had made some prior use of hiring outside of the EU, even when EU freedom of movement was available. Chefs have made up 60% of the visa applications across the whole of the hospitality sector under the Skilled Worker regime.⁶⁷ The different grades of chef also allow the development of a more aspirational career culture in this role, to train and attain the different grades of chef – for example, see the Fuller’s Chefs Guild⁶⁸.

But the post-pandemic world has of course brought myriad additional challenges for the sector. The need for cost-cutting has seen the removal of layers of management that has often meant simultaneously greater responsibility for those employees left behind combined with even less opportunities for advancement. There has also been growing competition for staff from other sectors facing their own shortages.

The sector does though have one key advantage over competing sectors. This may not look significant from the outside, but appears much more meaningful from the inside; that is the earnings potential of service charges and tips. The Private Member's Bill⁶⁹ to make sure that employees receive the full benefit of these supplements to their pay is therefore important.

The UK's Youth Mobility Scheme is also important for meeting the sector's resourcing needs, including the potential for expansion of the scheme to cover new countries or to allow an increased age range of participants (currently 18-30) and increased duration of stay (currently two years). An extension of the Scheme to the EU-27 in particular would represent a significant additional potential resource for the sector. But – as was the case with the recently announced expansion of the parameters of the YMS for those coming from Australia and New Zealand – negotiations around youth mobility are generally a feature of broader inter-governmental trade agreements. The sector understandably views such agreements as hard to influence and outside of its control.

Some in the sector – Travelodge is an example⁷⁰ – have also recognised the potential of, and made a targeted pitch to, (international) students working alongside their studies. The sector appears to be investing in the relatively limited options it has available.

But this investment comes at a cost. Not all can afford it. Those that can, may still end up the losers from the increased competition to survive between different players within the sector. The inevitable consequence, already apparent, is a material contraction in many parts of the sector's offering, and a sector that is smaller in size.

IT

As a sector containing on average higher skill employees and more sophisticated organisations, the long lead-in period to prepare for Brexit, combined with the relatively open approach of the post-Brexit immigration system to skilled workers, meant that the sector was generally well-prepared for this development. As a result, disruption has been minimal. By way of example, one large employer with operations in both the UK and Ireland did not see the availability of roles in Ireland (still of course within the EU) as at all undermining their ability to still fill their UK roles.

Parts of the sector though do also have lower skilled roles – for instance, in entry-level positions or for call centre staff. The sector has been particularly focused on investing to automate these roles where possible, but has also benefited from the fact that some graduates are now willing to fill such roles for a period.

Of course, the sector was less well-prepared for the pandemic. While it obviously brought challenges, the structure of, and existing developments within, the sector meant that not only was it able to adjust to the disruption, it even helped to accelerate some of its opportunities. Pre-pandemic, the sector had been the most advanced in terms of its use of remote working, and in many ways the pandemic then provided a springboard for the sector's willingness to take advantage of flexible working practices.

The IT sector contains a wide range of companies, from established international behemoths to relatively new entrepreneurial start-ups. The latter, in particular, demonstrate the many aspects and angles of the options within this sector for accessing overseas skills and talent in ways that are just not available in other sectors. This includes the option to employ people where they are – without the need for them to move at all. It also has the option for both organisations and their employees to be flexible, not just in terms of location, but to compare and arbitrage across what different countries' allow in terms of organisational structures, employment, immigration and tax.

Examples of this are countries that grant digital nomad visas. Countries such as Poland, that allow more liberal tax treatment around self-employment than the UK now allows under IR35. In addition, the availability of 'employer of record' services allow overseas staff to be employed through a third party. Such developments mean that those providing services can do so remotely from locations of their choice, and not necessarily appearing as an employee of the company they are actually working for. From the company's perspective, this can not only be quicker and cheaper than hiring someone and having to go through the sponsored immigration route to bring them into the UK, but also reduces the risk if the hire does not work out as hoped.

The employer of record model, though, is still developing. It has pros and cons. On one hand it can mitigate the risk that the company itself establishes a taxable presence in another country. It can also efficiently aggregate buying power for services, pensions and other required purchases. On the other hand, it can be costly, and overseas staff might not like the complications of being technically employed by a third party. Larger, more established, companies tend to be more circumspect of these sorts of more flexible and fluid developments and opportunities, seemingly more concerned with the tax and employment pitfalls they might give rise to.

Flexibility and nimbleness are particularly valued by the IT sector. Faced with rising costs and interest rates, many smaller technology firms have more recently seen a reversal of the dynamic they have typically been used to. Funders that previously valued the promise of growth in the long-term, supported by an expanding employee base, have become more focused instead on cash generation and profitability in the present. Shrinking, rather than growing, the employee base is now what many funders prefer to see, with the result that for the first time newer tech firms are having to consider meaningfully reducing their employee numbers. This puts even more of a premium on a flexible and nimble approach to the use and resourcing of people.

This is also a sector where some employees moving to the UK may not even need to be sponsored by their employer at all, if they are eligible under the Global Talent visa for Highly Skilled Workers which covers those in digital technology. In affording more flexibility in arrangements an unsponsored route can have advantages. But for employers there is also a drawback in that it does not give them the same degree of control over the employee as the sponsored route.

The IT sector sees itself as having very specific needs regarding the technical skills required for most of the roles it has to fill. If the UK education system is unable to supply a sufficient number of STEM candidates then the sector feels that it cannot be blamed for filling these from overseas. The IT sector sees itself as a particularly fast-paced and very specific skill-based sector, and the concept of people development, on-the-job training and upskilling is considered much less relevant, at least in the smaller firms. When there is a vacancy, it is for a very specific skillset, for a very specific role, right at this moment. And given the wide range of different options for how this expertise can be accessed, the emphasis is on going straight to the immediate best fit person for the role as fast as possible.

The post-Brexit immigration system does provide an opportunity for trialling a new employee that the IT sector is taking advantage of; that is the use of those on the postgraduate route. Utilising this route means that companies can in effect trial someone before bearing the full cost and administrative lift of having to sponsor them through the Skilled Worker visa. In addition, if they do later wish to sponsor them they are exempted from paying the Immigration Skills Charge in respect of those switching in this way.

As referred to under 'Cross-sectoral themes', the rules for bringing in overseas workers for shorter-term assignments are an area of confusion and uncertainty. This was obviously not an issue under freedom of movement, and particularly impacts the IT sector which frequently has shorter-term needs for specific dedicated project tasks.

Social care

The UK care model has been identified as the archetype of an "ideal-typical Liberal elderly care regime", a 'migrant in the market' model – treating care care as a normal occupation which may deliver its services both inside but also outside the home – as opposed to a more of a 'migrant in the family' model of care which is to be found in some other European countries.⁷¹

This is a sector where a glass half-full/glass half-empty impact within the sector itself, based on employer size, capacity, sophistication and business mix, is pronounced.

Larger employers that manage care homes and combine health and social care, are ideally placed to benefit from key care roles, such as care assistants, being included on the Shortage Occupation List. With the inclusion of some key social care roles on the SOL, at least for now these employers feel that they have balanced access to the necessary talent from overseas to fill domestic workforce gaps while being able to adequately source staff from the domestic workforce for those roles not on the SOL.

Post-Brexit these employers are expanding the number of countries they are recruiting from outside the EU, with the Health & Care visa allowing for cheaper visa fees as well as an exemption from the Immigration Health Surcharge. This is particularly important for the attractiveness of roles to overseas workers as not all large providers in the sector pay for the migrant workers' entry costs.

Even at the height of EU freedom of movement to the UK, health and social care never came to rely on EU workers to the extent that some other sectors did. For larger employers and their pool of potential overseas workers, the transition to the post-Brexit regime was therefore less of a shock than for many sectors. Both employers and prospective employees for instance tended already to be familiar with the English language requirement of the sponsorship route. This was not the case for employers that had relied on EU freedom of movement. Nor for the EU workforce that had previously been able to enter the UK jobs market without meeting any English language requirement. Understandably, they may now find the application of that requirement off-putting, particularly when there are other European destinations open to them without such a local language requirement.

Larger combined health and care employers also make use of those coming into the UK through the Youth Mobility Scheme, and overseas students staying on to work in the UK post-study under a Graduate visa. One of the benefits of the post-Brexit immigration system is the greater flexibility to switch from other routes to a Skilled Worker visa from within the UK.

Even those larger employers most familiar with the sponsorship management system still find it 'clunky' to use though. This is also a sector which seems to feel that it is particularly marked out for bureaucratic scrutiny. Frequent users of the system report that they have to answer many repeat questions as part of the process of regularly applying for additional certificates of sponsorship. And that, despite the end of the Resident Labour Market Test, they still are requested to provide copies of job adverts for roles.

Larger employers combining health and care have an additional advantage in terms of the potential to leverage how they use health and care workers together. They may be able to equip senior carers to deal with core medication needs, freeing up time for nurses. Or upskill senior care assistants into nursing roles. Or hire overseas nurses into care roles then later offering them the opportunity to transition into nursing.

For SME employers solely operating in the care sector though, their perspective of the post-Brexit immigration system is much more glass half-empty. And the healthcare system can be the very nub of the problem. Many of the workers those care employers might look to attract are instead sucked up by a healthcare sector with seemingly insatiable demand and far greater resources. And if care roles are just seen as a stepping stone to nursing, this can degrade how care roles are perceived and denude the care sector of its own talent.

As the MAC acknowledged in its adult social care report, even including care roles on the Shortage Occupation List with a lower salary threshold does not of itself mean that all social care employers are going to be willing and able to take advantage of that. That would require them to be willing and able to incur the time, cost and administration of acquiring a sponsor licence and to afford the minimum salary required to sponsor overseas carers for a Skilled Worker visa. The MAC even suggested that the Government's Workforce Recruitment and Retention Fund⁷² to support adult social care staffing levels could be used to help social care employers' with the costs of recruiting through the sponsorship system.

Social care not only suffers in competition versus health sector jobs, but also faces increased competition from other lower-wage sectors. Social care relied relatively less than other sectors on EU workers coming under freedom of movement but that has not spared it the resulting pressures. Instead, it has indirectly been adversely impacted by other sectors' challenges with the ending of freedom of movement to the UK. Pre-Brexit, social care was often a secondary job taken alongside, for example, a pub or café job; these jobs are no longer open to new EU workers. In turn, these other lower-paying sectors now compete more aggressively with social care for a smaller pool of staff; and working in a café or supermarket can pay more, for less hours, with less emotional strain and responsibility than a social care role.

Also, as in the transport sector, in some parts of the social care sector workers coming in under freedom of movement, although not core, were an important source of additional capacity and flexibility. EU workers able to freely come into and out of the UK could help to swell the number of care workers at certain times of year. In live-in care they could often work flexibly in pairs, swapping over for each other as they came and went back and forth between the UK and their home country.

The pandemic provided a boost to the status of health jobs overall, but made some staff less willing to work in care homes. There was also the controversy over the vaccination status requirements for workers in the sector. Although ultimately reversed, this had an impact on those willing to work in the sector.

The sector also seems particularly at risk of abusive practices. Live-in jobs can give rise to modern slavery concerns at worst, but also many unfair practices that fall short of that. Workers might be attracted by perceived savings on rent but are often required to take sub-standard accommodation and have rent directly deducted before they receive their pay. Agencies in the UK are not permitted to charge the migrant worker for placements, but this is not necessarily the case with overseas agencies. For those carers not working in care homes or live-in, and required to travel between clients, the transit time required is frequently unpaid.

Changing the perception of social care as a career for young people starting out is hard, when so many people seem to view it as a last resort occupation. The fact that anyone is considered able to do the job does not help efforts to recognise social care as a more aspirational and professional endeavour. Ironically, given that the work done by the MAC to highlight the need to improve the wages, conditions and prospects of workers in the care sector, some in the sector still see the MAC as part of the problem, in being associated with an immigration system which frames social care as a low-skill profession. The media also comes in for considerable criticism from the sector, viewed as being fixated only on sensationalist 'bad news' stories about the sector.

The fact that the sector is so fragmented does not help it to best present itself or invest in the future. The precarity and transience of many of the sector's workers does not help the workers themselves to organise. Registration of care workers, based on sector specific on-the-job training and skills, flexibly – rather than formally – tested and evidenced, could help to give the sector a greater sense of identity and self-worth. Given the challenges for the care sector in terms of pay and career progression and recognition of achievements, allowing more experienced care workers to deliver their expertise to new entrants to the profession through mentoring and training would help those new entrants while at the same time allowing some recognition of the skills and experience of those more senior in the sector.

Construction

In comparison with many other sectors, the construction sector appears to have broader options for how it deals with its labour resourcing challenges. The earnings potential and international transferability of many of its roles should be attractive to the domestic workforce, although the sector still sees itself as struggling to get this message across effectively in schools and universities, and to position the sector as an attractive career choice.

The majority of the sector's roles are eligible for sponsorship through the Skilled Worker visa. For those employers in the sector familiar with the pre-Brexit employer sponsorship system, the reduction of the salary threshold plus the other liberalisations to the requirements have been welcome in allowing them to add non-EU resource to existing EU resource.

For those employers less familiar with the sponsorship system the potential to engage with it has recently been increased with the MAC's expedited review of the construction sector, which recommended that more of the sector's occupations be placed on the Shortage Occupation List. One of the reasons the MAC gave for this recommendation was evidence that the sector was taking steps to improve recruitment and retention.⁷³

The sector has also been able to make use of other options for engaging overseas workers including those staying in the UK under the EU Settlement Scheme and the Graduate visa, as well as those in the UK on family visas and those arriving under the Hong Kong BN(O) Scheme and the Youth Mobility Scheme which the sector would like to see expanded, in particular to the EU and India.

This does not mean though that the sector has not had to adapt with the ending of freedom of movement. Indeed, some would argue that it faces substantial, even existential, resourcing challenges. Even prior to Brexit, the sector was struggling with labour supply for the skilled trades, such as plumbers, carpenters, electricians, as well as at the professional level of project and site management. These challenges were most starkly framed by the 'Modernise or Die' tagline of the Farmer Review of the UK Construction Labour Model⁷⁴ carried out prior to the EU referendum (although issued after it).

On the positive side though, that review at least evidenced a very live debate around potential innovations in the fundamentals of how the sector carries out construction – more pre-fabricated approaches and solutions built offsite – in the context of the challenges of an aging and declining workforce. Possibilities lay in being able to attract new workers, but also to embrace technological change and the wider digital revolution to do more with less.⁷⁵

While not all in the sector see increased pre-fabrication as the right way forward, changes are inevitably taking place in the sector. At the higher skilled end the digital shift is having an impact, putting a premium on those engineers who are able to adapt and integrate digital services in their skillset. Infrastructure spend is a large driver of labour demand in the sector, and many skilled roles that the UK needs are difficult to recruit for, regardless of the set-up of the immigration system. For instance, public health engineers, and rail industry specialists of the type needed for HS2, are in short supply. As, understandably given the growing demand in multiple countries in this emerging area, are those with skills and experience needed to support the shift to net zero in construction.

While the sector does have a large number of occupations that meet the skills threshold for the Skilled Worker visa, there are still some that do not. And thus far the MAC has not been convinced to make an exception – as they have for ‘lower-skilled’ social care roles – to recommend that these be added to the SOL. The challenge for the sector has also been compounded by the fact that while many EU workers stayed in the UK under the EUSS, faced with the double whammy of Brexit and COVID many lower-skilled construction workers did not.

Even in occupations within the sector that are in theory eligible for employer sponsorship, that is not available in practice where the worker is self-employed. This has typically been the case for many workers in the sector as it gave them flexibility to move between jobs quickly and to secure the best day rate for their services. The ending of freedom of movement was a sea change for self-employment in the sector though, and the evidence suggests that the number of self-employed workers in the sector has fallen dramatically.⁷⁶ The sector has though at least received credit for this from the MAC, which in proposing the recent construction occupation additions to the SOL referred to the sector’s increased use of direct employment, and decreased use of self-employment, as evidence of its desire “to increase domestic recruitment and improve workers’ career development opportunities”.⁷⁷

The structure of the construction industry in the UK though means that it lacks a unified voice; fractured and fragmented in both space and time. In space because of the large number of diverse operators in the sector, many of whom are SMEs, providing outsourced services in the many different parts of its supply chain. In time because, more so than other sectors focused on in this report, this sector is subject more to boom and bust cycles which make it harder for operators to have sufficient certainty and visibility on the pipeline of work that is required to strategically plan ahead for resourcing needs, even if they had the capacity to do so.

Employers in the sector are competing against each other, but also internationally. Skilled workers and professionals in the sector have transferable skills that are attractive for instance to those managing the huge ongoing construction projects in Dubai and Saudi Arabia.

In terms of attracting construction workers to come to the UK, a major positive is the UK construction industry's relatively good reputation versus other centres in terms of welfare and safety. But the UK also has challenges. One is its relative cost of living, particularly where projects in the Middle East can provide free compound accommodation as part of worker packages. This is why the foreign exchange rate of GBP sterling is so important in terms of impacting what overseas construction workers in the UK can earn and send home in terms of their local currency.

Chains of contractors and highly specialised sub-contractors mean that it is hard to get a clear overview of the labour position of the sector. The sector relies on a mobile shifting scene of itinerant workers with different specialisms often working on jobs for relatively short timeframes. Freedom of movement and self-employment were particularly well suited to that. With those options gone or narrowing, the sector has struggled with the practicalities when someone needs to be brought in quickly for the short-term and would welcome a three-month visa option. In addition, the Skilled Worker regime requires the Home Office to be notified each time a worker changes employer.

For some parts of the sector, another challenging aspect arising from the end of freedom of movement is the English language requirement under the Skilled Worker visa regime. Many parts of the sector had become used to using nationality-based teams on jobs who could communicate with each other, but not necessarily communicate so well in English. Using the Global Business Mobility visa route can avoid the English language requirement, but is only available to multinationals bringing in more senior and/or higher paid workers from their own overseas operations.

Transport

Within this sector there are differences, but also cross-over, between how HGV, van, bus and coach drivers are sourced and trained. Certain parts of the sector have quite a symbiotic relationship with each other – for instance with many drivers later in life moving from bus to coach driving – but other parts can have quite a competitive relationship with each other, particularly in times of labour shortages. As roughly 10% of drivers are dual licensed – HGV and bus – the publicity around shortages of HGV drivers, and the wage rises attendant on them, encouraged some drivers to switch back to HGV driving, thereby in turn exacerbating driver shortages in the bus and coach sector.

One of the responses of the bus and coach sector to shortages has been to focus on the attractive elements of that role, to stress its greater customer facing nature through the 'Thank You Driver' campaign.⁷⁸ But there is concern that without considerable recurring spend on such campaigns this is unlikely to have much impact in getting new workers into the sector.

This is a sector where the indirect impact of the ending of EU freedom of movement can be seen in the competition for workers within the sector. And conversely any dispensation allowing greater access to overseas workers for any part of the sector potentially benefits all parts of the sector by diminishing this competition. So, for example, the HGV sector being given better access to overseas drivers can also benefit the bus sector, even if the bus sector is not given similar access, because it results in less competition for the pool of domestic workers.

Another aspect of competition for workers with other sectors is that the transport sector is one where driving larger vehicles has upfront training, licensing and medical requirement time, and costs. This may be off-putting to some, but once done it does mean that drivers are more likely to stay in the sector. In the bus sector, where bus operators themselves typically incur the cost for the training of the driver, operators may bond drivers so that if a driver they have trained leaves within a period of completion of their training they then have to pay a percentage of the training costs that were incurred by the operator.

The costs and delay of licensing and administrative and medical checks can also be off-putting to some potential hires, when other jobs in the sector – e.g. van drivers or warehouse working – do not require these. Even actual hires may quickly look elsewhere; in the bus sector it is estimated that 20% of drivers never start the position they have accepted, because of frustration at the process requirements.

Some parts of the sector have a long history of using immigrant labour – for instance, a number of the Windrush generation arriving after World War Two worked on London buses, directly recruited from the Caribbean by London Transport. But among HGV drivers today, ethnic minorities make up only about 6% of the workforce, and with little change over time.⁷⁹

The sector has had relatively little engagement with the employer sponsorship system, citing costs and complexity. But ultimately this is due to the fact is that the driving role does not meet the skills threshold to be eligible for sponsorship under the new system, even where it may meet the salary threshold to be eligible. In parts of the sector – such as certain bus operations – the complexities of the sponsorship system are compounded by the devolved structure of those operations; the operator would need to manage and be responsible for multiple sponsorship licences.

Pre-referendum, EU drivers formed a relatively small but important part of the potential driver pool, with active recruiting through agencies in Eastern Europe. In the HGV sector this could be particularly useful in topping up the workforce in peak periods. Post the referendum, and in advance of Brexit itself, it seemed that the UK market lost its appeal for EU drivers who began to return home, or go elsewhere, perhaps due to relative economic reasons but also due to the perception of how open the UK was to EU workers.

The prevailing feeling in the sector seems to be though not so much that Brexit is responsible for labour shortages in the sector, but rather that Brexit reduced the sector's ability to cope with the effects of the pandemic on the labour force. The relatively high average age of workers in the sector meant that the sector has been particularly afflicted by the withdrawal of older workers from the workforce prompted by the pandemic. And, specifically in respect of HGV drivers, the effect of the IR35 tax change materially adversely impacted the perceived attractiveness of the overall rewards available from the role.

As drivers are not eligible for the Skilled Worker route, in terms of the employer sponsored route the only hope for the different parts of the sector to hire overseas workers is for the MAC to recommend that driving roles be added to the Shortage Occupation List, notwithstanding that those roles do not meet the formal skills threshold. Following the lead set by the dispensation recently provided to social care, the prime argument of the sector relies on its case for the broader social value which it cost-effectively provides.

In considering inclusions on the SOL though, the MAC is very focused on to what extent occupations have demonstrably sought to address shortages by means other than immigration. In this regard, the MAC has pointedly commented on the low female participation in this sector's workforce, which the MAC estimates at only around 1% of the HGV driver workforce, and with no significant change over time.⁸⁰ In contrast, in the bus sector some companies report better numbers, although still only around 10% of women drivers, but with a goal of doubling their participation.⁸¹

All this does not necessarily mean, however, that the sector is not seeking to access migrant labour from the pool of such already in the UK. Bus operators have particularly targeted the possibility of sourcing drivers from the influx of Ukrainians, so far with mixed results. While bus operators accept that their workforce will always tend to be more elderly, students have also been a target, as students are more likely to be willing to work flexibly, and at times inconvenient for others, such as evenings, weekends and public holidays.

As with other drivers across the sector, bus drivers have tended to be required to work relatively long and inflexible hours. But the bus sector is at least starting to consider how it might be a little more flexible in seeking to meet its resourcing needs, offering multiple entry points, including for those who will not necessarily go on to make their career in bus operations. There may be opportunities for students to graduate into the sector in both operations and engineering. But equally bus operators accept that there may be those willing to provide their services to the sector for a period without necessarily committing to the sector as a longer-term career.

What we learned from the targeted immigration questions in the CIPD Labour Market Outlook survey

Introduction

We supplemented our interviews with targeted immigration related questions in the CIPD Labour Market Outlook survey, distributed online by YouGov. The total sample size was 2,012 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 3 January and 25 January 2023. The figures are weighted to be representative of UK employment by organisation size and sector.

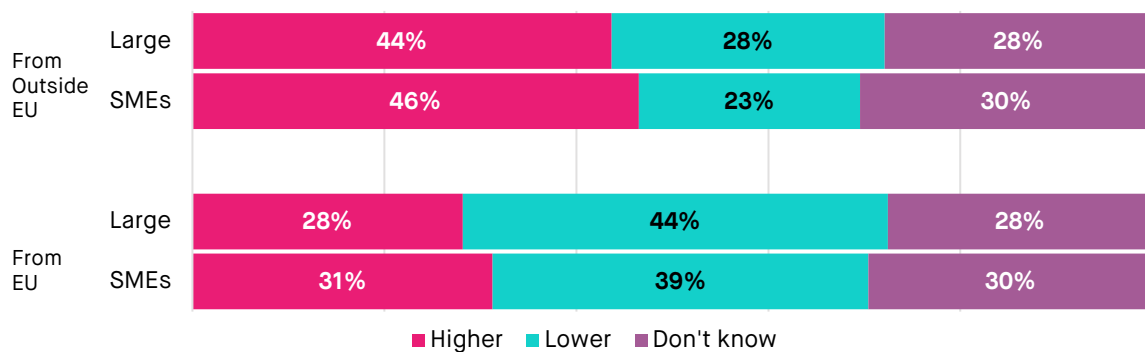
In considering these responses, it is important to remember that the survey has a larger and more representative sample, whereas our interviews were with relatively few individual employers and trade bodies/industry representatives in five key sectors. This might explain why the differences between the survey responses of SMEs (2-249 employees) on the one hand, and of large employers (250+ employees) on the other, are not as marked as one might have expected. And also why on some questions responses go the opposite way to what might have been expected. It is also a reminder that SMEs – particularly in sectors such as technology and finance – contain a number of firms that may in some respects be more, not less, well-resourced, sophisticated, nimble and flexible than their larger competitors.

Another factor relating to the survey answers is that the number of ‘don’t knows’ can be material and have a material impact on the result. And the number of ‘don’t knows’ tends to be larger in large companies. This may be due to it being harder for a single individual in a large company to feel confident that they have a sufficient overview of all the relevant facts to be able to give a firm answer to the question being asked.

Findings

Between SMEs and large employers, aggregate migrant hiring appears to have seen similar shifts in recent years. A worker’s region of origin, however, has more significant effects on employment patterns; numbers of workers from outside the EU have net increased and from inside the EU net decreased (Figure 12). Given Brexit this is not surprising, but it is also worth noting that there are still over a quarter of firms in both categories reporting an *uptick* in EU hires compared to three years ago.

Figure 12: If you have employed migrants, is the level of migrants employed at your organisation higher or lower than it was three years ago?

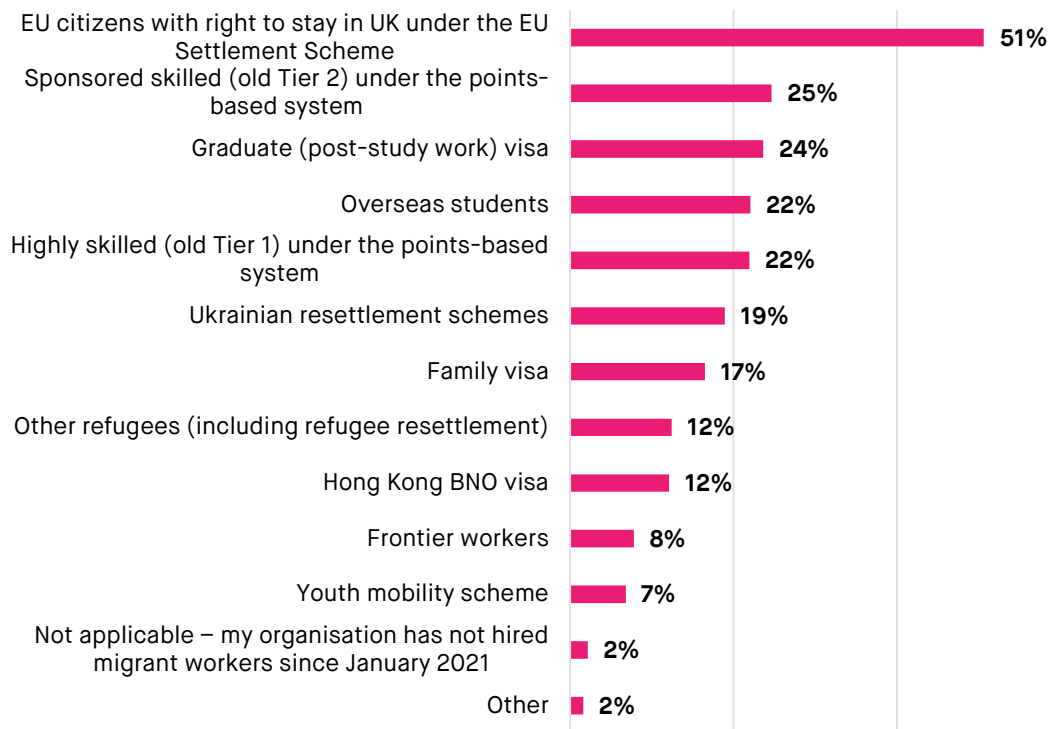


Source: LMO Winter 2023 Polling conducted by YouGov on behalf of CIPD

Despite attention paid to the Skilled Worker visa route, employers are making use of a wide array of options for hiring migrants (Figure 13). Over half (51%) of those who have hired migrants employ EU citizens with a right to stay in the UK, rising to 58% among SMEs. Young people are also filling gaps, with 24% of employers hiring on graduate visas, 22% on student visas, and 7% utilising those who have come under the Youth Mobility Scheme. Highly skilled workers have been hired at 22% of firms.

Among those employers hiring migrants, a minority, but not insignificant proportion, also seem to be tapping into the pool of geopolitically generated migrants to the UK, with 19% hiring those on Ukrainian resettlement schemes, 12% hiring those recently arrived from Hong Kong under the British National (Overseas) visa, and 12% hiring other refugees. This experience is in line with findings from our interviews. Overall, UK employers appear to be seeking to utilise the variety of options available to them to help address deficits in the labour market.

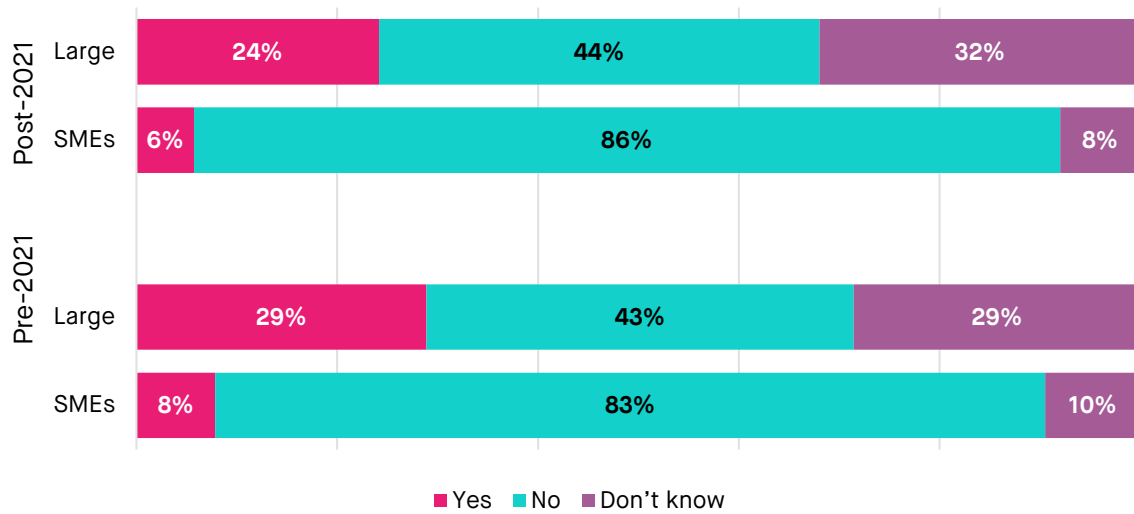
Figure 13: If you have employed migrants, which, if any, of the following categories has your organisation hired?



Source: LMO Winter 2023 Polling conducted by YouGov on behalf of CIPD

Large employers are far more likely to make use of the sponsorship system than SMEs. Today, just 6% of SMEs report sponsoring employees, compared to 24% among large employers (Figure 14). Brexit appears to have had little impact on this.

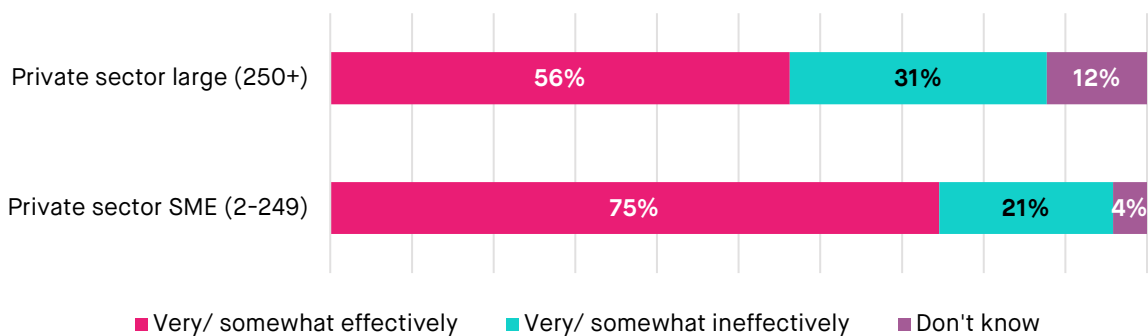
Figure 14: Usage of the immigration system before and after the introduction of the post-Brexit immigration system (January 2021)



Source: LMO Winter 2023 Polling conducted by YouGov on behalf of CIPD

But the disparity between types of employer does not appear to be necessarily due to knowledge gaps. SMEs do not seem to find the post-Brexit immigration regime any more difficult to understand than large employers; on the contrary, 56% of SMEs report finding the regime very or somewhat easy compared to just 45% of large organisations. Further, when judging the (in)effectiveness of the points-based system for helping organisations to address skill and labour shortages (Figure 15), 75% of SME respondents who had used the new system felt it “somewhat effectively” or “very effectively” helps, compared to 56% of large employers, with 31% of large employers viewing the system as very/somewhat ineffective versus only 21% for SMEs.

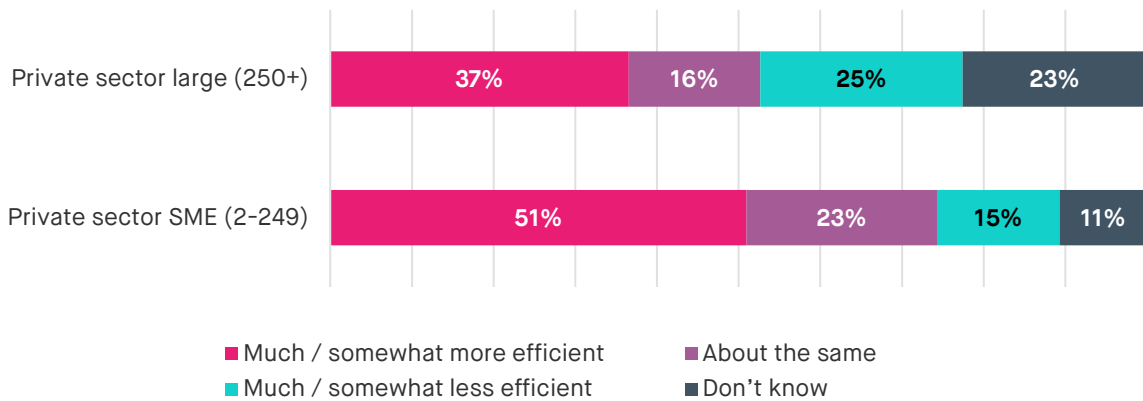
Figure 15: If you have used the new system, how effectively or ineffectively does the points-based system help your organisation address skill and labour shortages?



Source: LMO Winter 2023 Polling conducted by YouGov on behalf of CIPD

The same held true for the efficiency of the new system versus the old system in terms of bringing in sponsored workers (Figure 16). While less likely to engage in sponsorship, a majority of SMEs (51%) who have used both systems reported the new iteration to be “much/somewhat more efficient”, with 31% of SMEs considering the system “much more efficient”. This compared to only 37% of large employers reporting the new system to be “much/somewhat more efficient”. But this still easily exceeded the 25% of large employers who thought the new system “much/somewhat less efficient”.

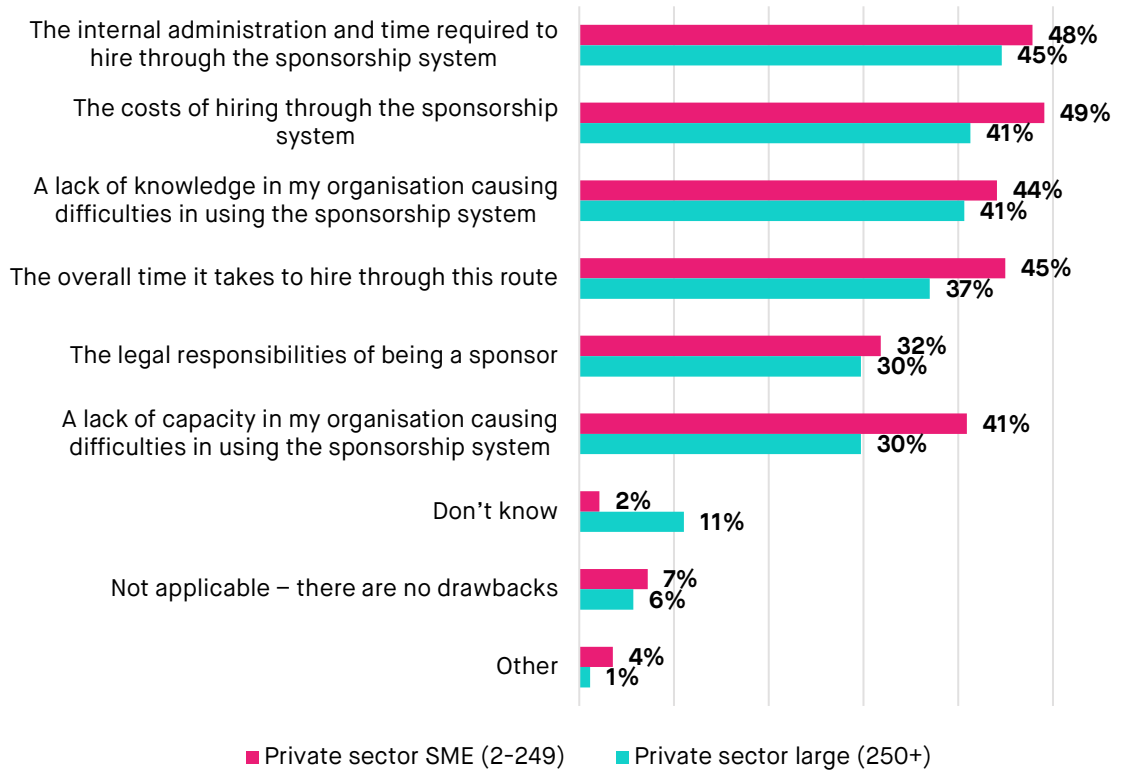
Figure 16: If you have used both immigration systems, how efficient or inefficient is the new system compared to the previous in bringing in sponsored workers?



Source: LMO Winter 2023 Polling conducted by YouGov on behalf of CIPD

When pushed to identify drawbacks to the new system, respondents who had used the new system cited a broad spread of reasons (Figure 17). While the costs associated with sponsoring are clearly material, noted by 49% of SMEs and 41% of large employers, this did not necessarily stand out from a number of other listed reasons; the internal administration and time required to use the system, a lack of knowledge within the organisation in using the sponsorship system, and the time taken to go through the sponsorship process.

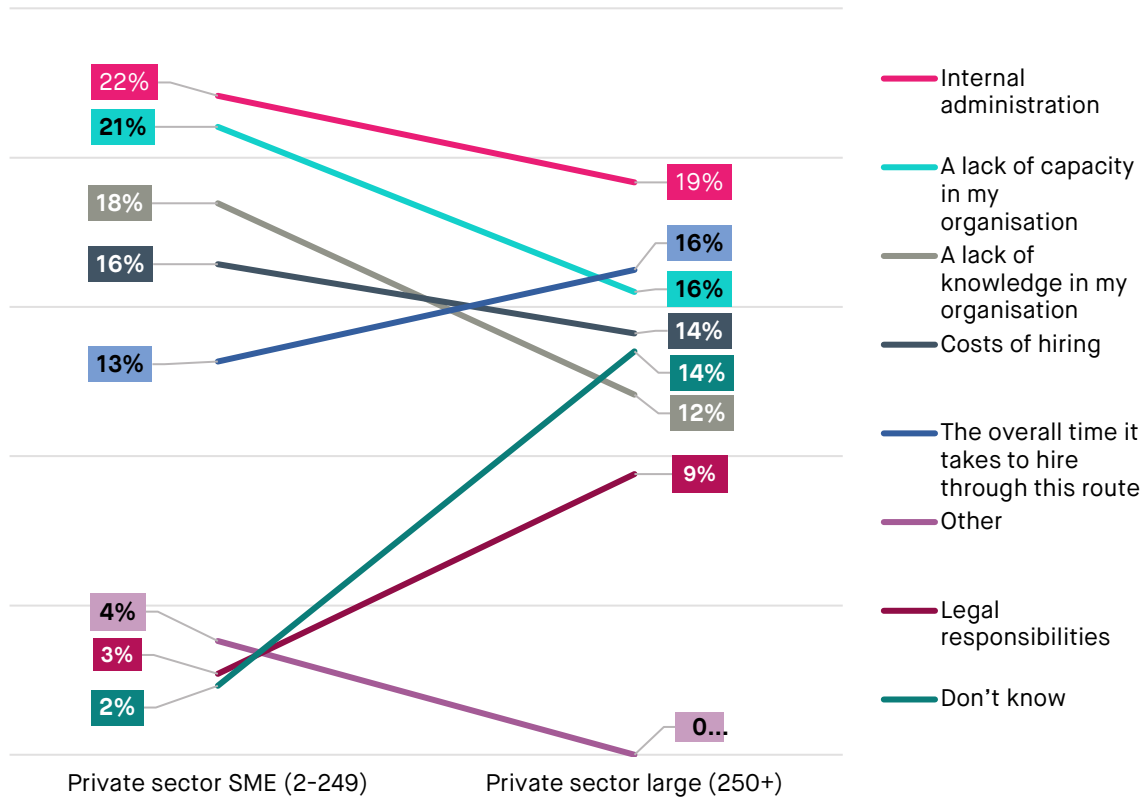
Figure 17: If you have used the new points-based system, which of the following are drawbacks?



Source: LMO Winter 2023 Polling conducted by YouGov on behalf of CIPD

Even when those who had described problems with the new system were asked to identify one single, main drawback (Figure 18), there was no consensus – either among SMEs or large employers. The former were more likely than the latter to cite administration, lack of organisational capacity, lack of organisational knowledge and costs. The latter were more likely than the former to cite the time taken to hire through the sponsorship route and the legal responsibilities.

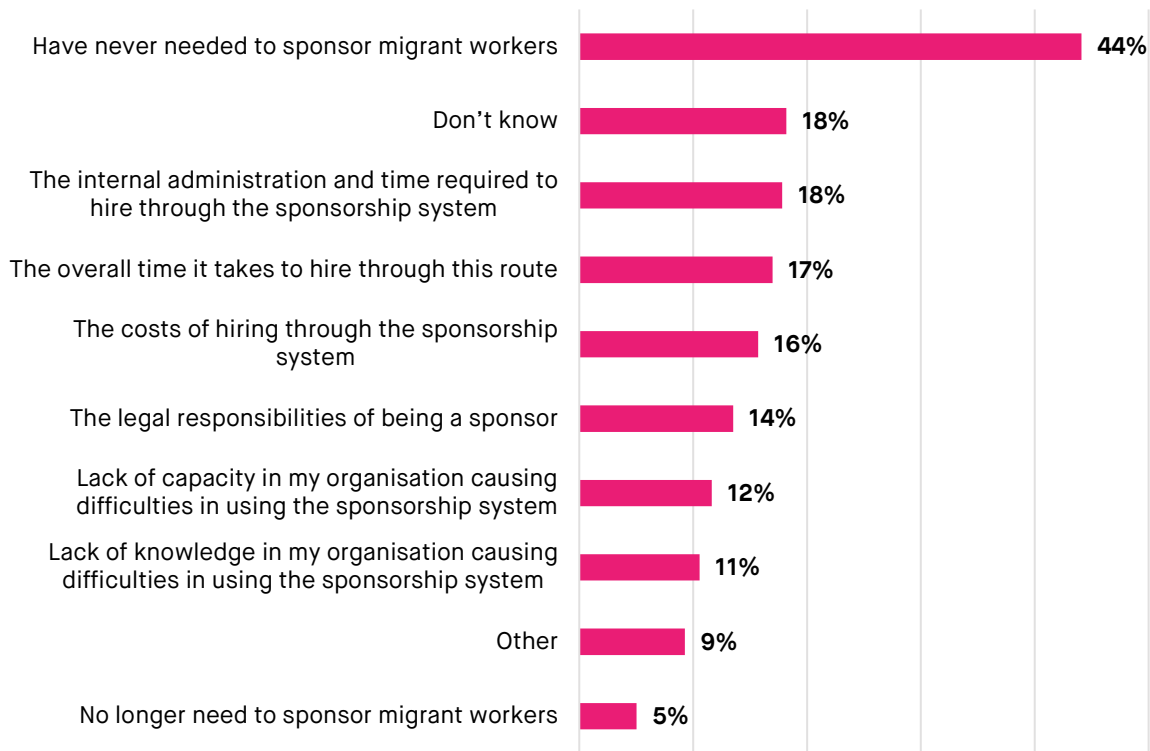
Figure 18: If there are drawbacks to the new points-based immigration system, what is the main one (select one)?



Source: LMO Winter 2023 Polling conducted by YouGov on behalf of CIPD

To dig deeper on this issue, employers who are not sponsoring overseas workers were specifically asked what is the reason for them not doing so (Figure 19). The most cited reason was that the employer does not or has never needed to sponsor migrant workers, which applied to 49% of employers surveyed. Beyond this, once again though no single reason stood out. But the top three reasons given were the administration and time required to hire through the sponsorship system (18%), the overall time it takes to hire through the route (17%), and the costs of hiring through the system (16%).

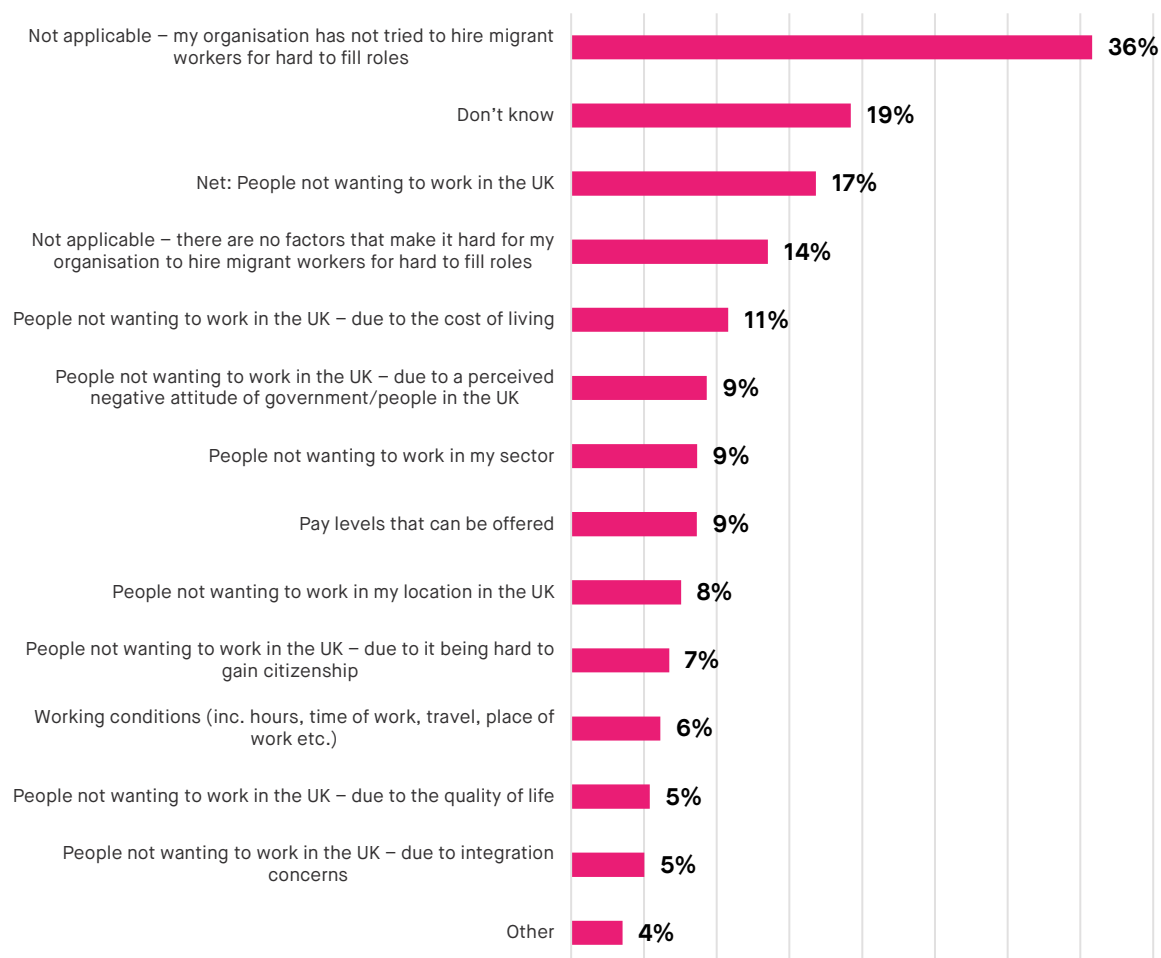
Figure 19: Why has your organisation not sponsored migrant workers under the new system?



Source: LMO Winter 2023 Polling conducted by YouGov on behalf of CIPD

When asked about non immigration system factors that make it difficult to recruit migrant workers, there was again a broad spread of reasons (Figure 20), with the cost of living in the UK ranking the highest.

Figure 20: Which factors besides the UK immigration system make it difficult to recruit migrant workers?



Source: LMO Winter 2023 Polling conducted by YouGov on behalf of CIPD

Overall, the survey reveals a mixed, nuanced picture of how employers are accessing and utilising immigrant workers. The post-Brexit system has clearly led to a shift from employers hiring EU workers to hiring those from outside the EU. But the employer sponsorship system is only part of a bigger picture which is seeing employers make use of a number of pools of potential migrant workers outside of the sponsorship system. Many EU national workers can of course be accessed outside of the sponsorship system as they are now on equal footing with domestic workers if they have settled status under the EUSS.

Employers seem to be net positive on the new system in terms of how easy it is to understand, how effectively it helps employers to address skill and labour shortages, and how it compares with the previous version of the sponsorship system. While this is not yet necessarily reflected in the number of employers actually using the system, the survey responses do give some hope that more employers would be prepared to consider doing so if they felt their resourcing needs warranted this.

In terms of the drawbacks of the new system, costs clearly loom large. But they do not appear a materially more prominent concern than other factors, including internal organisational capacity and knowledge, and the administration and time required, to engage in the sponsorship system process, as well as the actual time that it takes to hire a worker through the sponsorship process.

In terms of hurdles to attracting migrant workers outside of those provided by the immigration system itself, while these do not seem to loom large for most employers, currently the cost of living in the UK seems to be viewed as the largest hiring hurdle.

CHAPTER FOUR – LABOUR SHORTAGES IN THE UK: A LOCAL PROBLEM, A GLOBAL PERSPECTIVE – COVID, BREXIT OR SOMETHING ELSE?

A local problem

In terms of political and public perception, it was not long after the new immigration regime went live that labour shortages became front-page news. “As the pandemic eased and restrictions were relaxed, vacancies rapidly rebounded, and by October 2021 there were almost 1.2m vacancies, the highest on record.”⁸² It is hardly surprising that Brexit and the new immigration system were swiftly regarded as the key culprit; it was due to all the EU migrant workers having left and/or all their replacements not being eligible to come to work in the UK anymore.

But it quickly became clear that the UK was not alone. Labour shortages were happening across the Global North economies. Economies that had not undergone their own Brexit, but which had all just come out of a global pandemic, were all undergoing a similar labour shortage experience.

A global pandemic; a global perspective

COVID-19’s specific contribution to labour shortages, both in terms of the economic shutdown and rebound, but also the reaction of both employers and employees to it, could be observed at various levels as the UK economy reopened.

“The pandemic is at the root of the imbalance between demand and supply. Some industries that suffered badly from lockdowns are now trying to recruit in a hurry, only to discover that the nation’s waitresses and baggage-handlers have moved on to other jobs. Robust demand is contributing, too.”⁸³

But the UK’s particular reaction to COVID-19 was also fingered as a culprit. From HGV drivers to hospitality workers, training of new workers had been halted. Overseas workers who had returned to their home countries and not come back to the UK compounded the problem. It all added up to a large supply side shock when the demand side kicked back in with a vengeance.

Yet it quickly became clear that what initially looked to be a particularly British affliction was anything but.⁸⁴ Stories of labour shortages began to emerge from every major open economy of the Global North – from Brooklyn to Brisbane as *The Economist* put it⁸⁵ – impacting many of the same sectors in which the UK was experiencing shortages – from airports to hotels to care homes. The stories were corroborated by the data.⁸⁶

Figure 21: Index of total vacancies among selected G7 countries, (Index=100, Q4 2019), 2019-2022



Source: MAC⁸⁷

If the EU, which still had kept its freedom of movement for workers, was experiencing just the same – with Germany struggling just as much as the UK to attract foreign airport workers⁸⁸ – then responsibility for this could surely not be laid at Brexit's door?

Countries that still have free access to EU workers – or, rather, to which EU workers still have access – have experienced labour shortages in many of the same sectors as the UK. EU freedom of movement is not designed to manage specific labour shortages. Quite the opposite. Under freedom of movement the worker has the right to work in whatever sector and role for whatever employer they want. As such, it can make things more, not less, challenging for those sectors which most struggle to make themselves attractive to workers.

Roles that are in shortage are not necessarily unattractive – wages may be able to rise to attract workers in demand – but they often are. A shortage may be indicative of poor wages and/or conditions, and/or of particular jobs simply being viewed as less attractive to do.

“Under a worker-driven system there is no guarantee that all employers will be able to recruit from overseas, since employers in industries such as agriculture, meat processing or social care must compete against those offering potentially more desirable or less difficult jobs.”⁸⁹

Under EU freedom of movement workers still need to choose to move for work, and as Alan Manning, former Chair of the MAC, put it:

“If EU workers with settled or pre-settled status who can return to the UK do not want to, it is not clear why large numbers of others would want to come even if free movement had continued.”⁹⁰

The UK’s particular experience of EU freedom of movement stemmed from the UK opening its doors to eastern European workers from 2004, ahead of most other EU countries, and at a time when the relative economic differences generated a large flow of EU workers to the UK. This flow helped to float all boats. It boosted labour supply to meet UK employer demand across all sectors. This represented a confluence of one-off factors, but not necessarily a permanent state. EU freedom of movement established and incentivised a transient status, whose power to fill the UK’s labour needs was beginning to wane even as its political salience peaked.

And if labour shortages were happening everywhere, and everywhere had undergone a coronavirus pandemic, then surely it was the pandemic which was to blame? As the UK both went into, but also emerged from, the worst of the coronavirus pandemic earlier than most other economies, the fact that labour shortages became evident in the UK first, but soon become apparent everywhere else, would fit with this theory.

But the UK also threw in a couple of its own particular twists to this global story. The first was that, as it began to emerge from the pandemic, the UK experienced the largest relative shift of any country in the world from consumption of services to goods.⁹¹ Little surprise then that the UK experienced issues and disruptions in its supply chains, experiencing significant shortages – not only labour ones.

The second twist was initially obscured by the aura of Brexit, and the resulting tendency to frame so much of what happens in the UK labour market through the lens of immigration. Initially, this led the focus on the pandemic’s impact on the UK workforce to revolve around compelling – although somewhat competing and conflicting – narratives of the pandemic’s impact on migrant workers. One story was that large numbers of migrant workers had left the UK. Another story was that migrant workers staying in the UK had made up a disproportionate number of ‘key workers’ keeping the country going. As it turned out, migrant workers made up the same percentage of the key worker workforce (17%) as they made up of the UK’s total labour force.⁹²

From behind the smokescreen of the migrant worker story, what began to emerge in some sectors was that the major contributor to labour shortages was not the withdrawal from the labour force of overseas workers, but, rather, of long-term resident workers. In terms of HGV drivers, for instance, June 2019–June 2021 saw the active number of UK national drivers fall by over twice that of EU drivers.⁹³

In particular, the fall in labour participation of older workers (over-50s) exhibited a startling reversal of the previous decade's trend, when their swelling numbers had been one of the largest contributors to the growth of the labour force. Indeed, this withdrawal from the workforce was so noticeable and impactful precisely because the current cohort of over-50s had come to make up a larger proportion of the UK labour market than previous cohorts, including greater participation by women. So when the outflow came, it was more marked.⁹⁴

"50-64 year-olds have been the largest driver of increased inactivity in the working age population both in 2021 and 2022, with nearly 300,000 more individuals inactive compared to 2019".⁹⁵

In the UK, the withdrawal of domestic workers had a far greater impact than demographic change, excess deaths and lower migration, even when those other factors are aggregated together.⁹⁶ Other Global North economies experienced the same withdrawal of older workers from the workforce during the pandemic.⁹⁷ But – although the most recent data at last shows some signs of this starting to reverse⁹⁸ – the UK's pandemic labour market experience was different in the relative scale and persistence of this phenomenon. Led by this older worker withdrawal:

"[the UK's] economic inactivity remains stubbornly above pre-pandemic levels. While the UK's absolute rate of inactivity is not as high as others in the G7 (most notably France and Italy) ... since the end of 2019 most G7 countries have experienced a fall in their inactivity rate. This trend is evident in more than three quarters of Organisation for Economic Co-operation and Development (OECD) countries, whereas the UK has seen the inactivity rate increase."⁹⁹

So that was the explanation then. The UK's labour market experience, if exceptional at all, was due to its extreme reaction to the pandemic, not to Brexit. Indeed, global developments also meant that even the economic nationalism of Brexit no longer placed the UK in an exceptional position. Suddenly, Brexit appeared less a badge of difference, and more a forerunner. Albeit for different reasons, spanning concerns about the robustness of global supply chains through to rising geopolitical tensions and suspicions, many other countries of the Global North themselves began to take an economic nationalist turn, wanting to do more things either at home or only with those they felt comfortable inviting to their home.

Brexit

But not quite so fast. Of course, the design of the post-Brexit labour immigration system did not foresee COVID-19 nor its impact; that when that new system was finally introduced the stock of EU migrants in the UK would be lower than had been expected. But the Government absolutely foresaw that labour shortages might arise as a result of the new labour immigration system. In this sense, shortages did not simply arise from unforeseen events. They arose from a very deliberate policy design, advised upon by the MAC. The likely impact of which was clearly signposted.

The idea that Brexit is the cause of labour shortages is in effect the story the Government wanted to tell. Its messaging was clear and consistent throughout the process of constructing the new post-Brexit labour immigration system – first in the initial 2018 proposals and then in the revised 2020 proposals. The message was that EU freedom of movement to the UK would end, and that, in the short term at least, would create a significant change, and challenges, for some sectors.

In the foreword to the White Paper on the 2018 version of the new system, then home secretary, Sajid Javid, wrote¹⁰⁰:

“Our new route for skilled workers will enable employers ... to access the talent they need.

This will help support wage growth, and productivity improvements. But we understand this is the most significant changes to the immigration system in more than 40 years, and so employers will need time to adjust.

To help them make that change we will also create, as a transitional measure, a temporary short-term workers route to ensure businesses have the staff they need and to help employers move smoothly to the new immigration system.”

The stage was set: high-wage, high-skill, high productivity; the key soundbite of the post-Brexit labour immigration system. What is easy to forget now though is the final paragraph above; the transitional measure. This would have run until at least 2025, and would have allowed for temporary workers to come into the UK. This *would have* given extra time for employers to adapt and seek to stave off labour shortages as a result. ‘Would have’, because while the 2018 version of the new system included this transitional measure, the final, 2020, version left it out.

The Government clearly acknowledged that, while the restrictions on non-EU workers were being liberalised at the same time as those on EU workers were being tightened, for many sectors one development would not simply offset the other. Specifically, carers and road transport drivers were highlighted by the Government as key lower-skilled occupations that would face difficulties adjusting to the new system due to use of EEA labour combined with “difficulties attracting labour from other sources or in substituting capital for labour by automating”.¹⁰¹

When the final, 2020 ‘points-based’ version of the system was unveiled, the high-level rhetoric seemed largely unchanged from 2018, yet was subtly, but crucially, different:

“We intend to create a high wage, high-skill, high productivity economy...

We will reduce overall levels of migration and give top priority to those with the highest skills ...

We will not introduce a general low-skilled or temporary work route. We need to shift the focus of our economy away from a reliance on cheap labour from Europe and instead concentrate on investment in technology and automation. Employers will need to adjust.

However, the Settlement Scheme for EU citizens, which opened in March 2019, has already received 3.2 million applications from EU citizens who will be able to stay and work in the UK. This will provide employers with flexibility to meet labour market demands.

We recognize that these proposals represent significant change for employers in the UK and we will deliver a comprehensive programme of communication and engagement in the coming months. We will keep labour market data under careful scrutiny to monitor any pressures in key sectors.

Initiatives are also being brought forward for scientists, graduates, NHS workers and those in the agricultural sector, which will provide businesses with additional flexibility in the shorter term.”¹⁰²

In the 2018 proposals, the Government tells employers it recognises employers *will need time to adjust* and that the Government will help them to do so by implementing a transitional regime. But by 2020, the proposals’ tone had shifted; the Government tells employers they *will need to adjust*. Just a one-word difference. But one that means a very different outcome. No more ‘time’. The transitional regime is no longer part of the equation.

Yes, there are the existing EU workers in the UK and some dispensation for key sectors like health and agriculture. But in essence, this is now the cold turkey approach; the idea that UK businesses can only be weaned off cheap EU labour by having their access to it immediately cut. This was a very deliberate and significant policy shift between the 2018 and 2020 iterations of the new system. And shortages were the expected outcome, “especially in industries that experience higher turnover of workers and rely significantly on newly arriving migrants rather than those already living in the UK.”¹⁰³

Amidst the political fallout of Brexit, the world seemed turned upside down. Here was a government formed by the supposedly most pro-business party – under advice of the MAC which had made clear their views that many employers in lower-paid sectors had become dangerously reliant on EEA workers¹⁰⁴ – leading with rhetoric around higher wages, quite openly and deliberately seeking to constrain business’ access to cheaper labour and running the risk of labour shortages.

Thus, in the UK’s case, Brexit and COVID impacts often ran together and overlapped. In some cases they magnified and reinforced each other, but they also blurred and made it hard to pick apart the underlying causes and effects, the exact roles and responsibilities. They also conspired to obscure something else, perhaps even more fundamental.

Something else

In the spring of 2018, the MAC had pointed out in its interim update on ‘EEA workers in the UK’ that the business model of many employers in the lower-skill sectors of the economy “in which the ready availability of EEA migrant labour plays an important role ... now faces a number of problems even in the absence of changes to immigration policy.” It cited shifting exchange rates and relative incomes between the UK and certain parts of Europe, meaning that the UK market was no longer as attractive as it had been to many of these people.¹⁰⁵

But perhaps the issues ran even deeper, and broader, than that. There was something else that was neither Brexit nor COVID, but which became thrust into the spotlight as a result of them. Brexit and COVID caused the tide to go out, and “only when the tide goes out do you discover who’s been swimming naked”¹⁰⁶. When the tide went out something was revealed that had been quietly building before, but had remained largely hidden. A growing labour resource hole at the heart of the ‘practical economy’. Some of the least fashionable, but key operating, parts of the economy and society were struggling to find workers.

In the UK, the once-in-a-lifetime boost to the labour supply that resulted from the combination of the expansion of the EU, combined with the operation of EU freedom of movement to work, may have obscured this development in the practical economy. But in many other countries the cracks had also been papered over. Now the impact was about to be felt, worldwide.

In January 2020 – *before* the pandemic struck – a report from The Conference Board in the US made some dramatic claims on this topic. It is worth quoting the opening of this report’s executive summary, written, remember, just *prior* to the pandemic:

“Labor shortages are having a strong impact on the US economy. If left unchecked, today’s conditions could easily develop into one of the worst labor shortages of the last 50 years, particularly for companies that employ blue-collar and manual services workers.”¹⁰⁷

The basis for this alarming prediction of labour shortages among this worker base was a number of trends which were causing shortages of workers available and interested in doing those jobs, at the same time as demand for such workers was rising. These trends included:

- **Those leaving the labour market:** the retirement of the large baby boomer generation would lead to an unprecedented halt in the growth of the working-age population.
- **Those joining the labour market:** the number of working-age people with a bachelor’s degree was on an upward trajectory of about 2 percent per year in the US, while the working-age population of non-college graduates was shrinking.
- **A large increase in disability rates:** almost all of whom lacked a college degree.
- **Compared with earlier decades, young men without a college degree are less likely to be in the labor force:** a structural trend resulting from them being more likely to be single, living with their parents, and less in need of earning an income.
- **The large drop in labour force participation of 16-24-year-olds:** as a result of increased numbers going to college, particularly impacting those occupations that typically hire young and less-educated workers.

At the same time, the demand for such workers was growing, due to a range of factors. From stagnating productivity in some sectors, to the growth of e-commerce, which had seen jobs in the transportation and warehousing industries increase at twice the rate of those in the overall economy over the previous five years. Numbers needed in personal care and health support jobs had also significantly expanded.

At the time of this analysis, lurking unseen right around the corner, yet to be factored in, was the pandemic. That accelerated and exacerbated many of these trends. With the result that today, even Forbes magazine, that bible of the global entrepreneurial business elite, is arguing that the knowledge economy has brought this situation on itself, for “much of the past four decades” devaluing “blue collar and manual service jobs [which] were to be avoided as ‘bad jobs’ and left “to immigrants, documented and undocumented, who would keep wages low”.¹⁰⁸

Perhaps those with the ‘good jobs’ believed that technological advancement and innovation would simply do away with the ‘bad jobs’. But in many sectors it is starting to look like it is some of the ‘good jobs’ that are most under threat from technological innovation. At the same time, the ‘good jobs’ that are booming, in the “dynamic, internationally competitive innovation sector”, seem unlikely to create large numbers of jobs.¹⁰⁹

As labour shortages in the ‘practical economy’ emerged post-COVID, longer-standing and more fundamental structural challenges of recruitment and retention in some sectors became a topic of broader interest and comment. In the UK, from HGV drivers to care workers to hospitality, longer-term structural factors began to be pointed to as a culprit for the shortages. It was argued that it was poor pay, conditions, hours, flexibility, career prospects; “an employment model based on relatively low pay for antisocial hours and a lot of responsibility”¹¹⁰ – that had been making these jobs increasingly less attractive, particularly to longer-term UK resident workers. And that this would have caught up with those sectors sooner rather than later anyway, even if Brexit and Covid had not been added to the challenging mix.

The impact of these factors is also often compounded by fragmentation of employers in many of the affected sectors – in the HGV sector almost 70,000 operators, with an average fleet size of only just over five vehicles each – which meant that many lacked the resources and capability to respond to the challenges by investing more in making jobs more flexible and attractive.¹¹¹

As a result, the problem was not so much that HGV driver jobs were not attractive to overseas workers.¹¹² It was that they were not attractive to local workers. *Even* to 600,000 drivers who had already been trained to drive HGVs in the UK but were no longer doing so.¹¹³ From the perspective of the immigration debate, this was something of a revelation. Immigration restrictionists intent on reducing immigration numbers into the UK had frequently highlighted lack of investment in training of the local population to do the job. But here the problem was not that there were insufficient trained workers. Instead it was that, despite large numbers of such workers, both overseas born and longer-term resident, they just did not seem to want to do the job they had been trained to do, at least as the job was currently configured. That was not so easily fixed. So the Government’s response was to invest more in training, to bring new workers into the sector who might have a different perspective.

In conclusion, while every sector has its own story and particular mix of challenges, the data seems to point to the big picture equation of labour shortages in the UK involving a bit of everything: pandemic + Brexit/end of free movement + longer-term structural problems. With the caveat that just because we now have lot of data does not mean that we necessarily know exactly what is going on, for many of those sectors most impacted by labour shortages the conclusion must be that:

- this is unlikely a blip;
- the UK is not alone.

Rather than a temporary anomaly, as elaborated on in Chapter Eight, the increased competition between developed economies for labour is likely to be a harbinger of the future. Strategies for the UK to make best use of immigration in its society and economy will need to factor in this competitive aspect. This dynamic will be a big challenge for the UK's immigration policy going forward. Yet, even now, there are a number of reasons why immigration policy struggles to address labour shortages.

CHAPTER FIVE – THE CHIMERA OF MANAGING LABOUR SHORTAGES THROUGH TARGETED IMMIGRATION POLICY

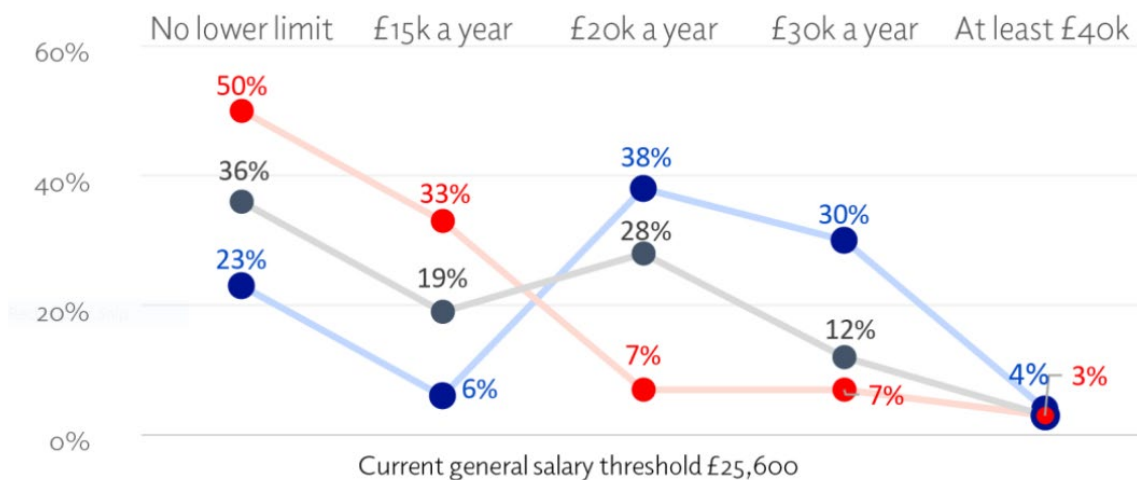
The obvious case and public perceptions of labour shortages

The case for managing labour shortages through targeted immigration policy seems clear. It seems popular, because it seems obvious, sounds sensible and appears simple. So what is the problem?

To start with, the good news: public attitudes are often one of the biggest challenges to a more open and effective immigration policy, but on the face of it that does not seem to be so in the case of labour shortages. There seems significant public support for moving the labour immigration system to one that is focused more on perceived need and addressing labour market shortages than it is on maintaining strict skills and salary thresholds.¹¹⁴ And indeed, across both the public and parliamentarians, there seemed considerable cross-spectrum support for lowering the eligible salary threshold as the post-pandemic shortages became apparent.

Consider this survey question, and its results:

Figure 22: Responses to the question ‘How much do you think someone from another country should have to earn before they are allowed to come to the Britain to live and work?’, breakdown by earnings and MP party/member of public



Key: **Red** = Labour MPs, **grey** = all voters, **blue** = Conservative MPs

Source: *UK in a Changing Europe*¹¹⁵

These results are not surprising.

- First, in impacting ordinary people’s access to goods and services that they have become used to, labour shortages in the immediate term are disruptive, damaging and unpopular.
- Second, using migrant workers to fill shortages has an air of acceptable, indeed beneficial, complementarity to it. If migrant workers are being used to fill in where there are shortages of local workers they would not appear to be taking local workers’ jobs.

- Third, connected to that, is the comforting idea that labour immigration policy more broadly, and the determination of labour shortages more specifically, is the output of an objective, scientific, therefore fair, process, optimally configured by a “technocratic, data-driven approach”.¹¹⁶

The same is not true of course for survey questions about labour shortages. They are framed in particular ways, and capture a particular angle on an issue rather than considerations in the round. The survey question above could have been framed differently and/or presented alongside other information, which might well have elicited quite different feedback. How might the public and MPs have responded, for instance, if instead the question asked had been:

- ‘Do you think that salary levels for migrant workers should be reduced to a level where they will receive more in benefits from the British state than they pay in taxes?’ or
- ‘Do you think that minimum salary levels for migrant workers should be reduced to a level where they would undercut the data-determined going wage rate for domestic workers?’

The survey results might then have looked a little different.

The expert consensus around the interrelationship of immigration, wages and (un)employment rates in developed economies, including the UK, is that levels of immigration do not have a material impact on pay or employment levels of local-born workers.¹¹⁷ Yet this expert consensus has struggled to cut through with politicians and the public alike. And while recent labour shortages and resulting wage spikes have not necessarily overturned this consensus, they have given some pause for thought. It would be surprising if in the real world they had not caused some people to become even more sceptical of the consensus.

Of course, even the consensus acknowledges though that this is an average outlook over the longer term, and does not mean that there may not be material adverse impacts for some local workers and over the shorter-term. And that the effects are not evenly distributed; lower-educated/waged workers are more likely to lose out and medium/higher-educated/paid workers more likely to gain. It may not be surprising therefore if many people might not consider themselves to be personally experiencing the average.

In the UK, the Government has been trying to tell the opposite story from the expert consensus, presenting the post-Brexit immigration rule changes and the ending of EU freedom of movement as part of a fundamental political project to boost the wages of the lower-paid.¹¹⁸ It has an intuitive ring to it; that less reliance on foreign labour and widespread worker shortages means higher wages.¹¹⁹ Particularly when at the same time the flipside is highlighted. Witness the angry response – indeed most angry in that part of the press supportive of more open immigration – to the furore around P&O firing UK workers and replacing them with cheaper foreign agency staff.¹²⁰

This has provided the backdrop to a certain ambivalence in some quarters towards business' cries of anguish around staff shortages. Most people may not want labour shortages, but they may like to be paid as if there are labour shortages. While it is tempting to think that no one would ever vote for labour shortages and inconvenience, what if the story is that shortages and inconvenience not only have the potential to empower and enrich workers at the lower end of the economy, but that perhaps these are the *only* circumstances in which those workers can achieve their fair share of the economic pie?

Looked at from this perspective, the ideas which the COVID-19 pandemic has brought into focus are not necessarily supportive of more open labour immigration policies. The pandemic may have highlighted the positive contribution of some migrant key workers. But it also brought into focus the potential risk of over-dependence on fluid overseas labour, and the possibility that this might undermine, rather than bolster, the cause of national self-reliance and resilience. As labour shortages emerged worldwide, a core narrative emerged that these shortages were the result of "fickle foreigners and fragile supply chains"¹²¹, that the pandemic revealed the Achilles heel of a low-cost, low-wage, globalised business model. This had sacrificed national interests and 'just in case' resilience to the mantra of business profitability built on the 'just in time' efficiency provided by overseas workers – whether working overseas in the global supply chain or by migrating to work.

From this perspective, the story of the impact of the pandemic and of Brexit can be viewed as in lockstep; that this is now 'labour's moment'. The fatal flaw in the global supply chain has been revealed. Overseas workers can decide to return home whenever they like. The takeaway from this reveal should be that the UK should invest more in developing and paying those already in the country, refocusing on greater national self-reliance and the empowerment of the position of the ordinary local worker, who at last has the opportunity to gain a fairer share of the economic pie.¹²²

Or indeed a chance to gain anything much at all. When a paper writing from the pro-business and pro-immigration perspective of *The Economist* reports positive outcomes from shortages of foreign workers, and favourably reflects those arguing this position, it is worth taking note. This is from an article highlighting the work of the Cedarwood Trust, a community organisation on a poverty-stricken estate in the North-East of England struggling to help socially disadvantaged youth into work:

*"For years Cedarwood has been swimming against the economic tide because employers preferred young Eastern Europeans. But after Brexit, foreign workers have become less readily available and local employers are suddenly keener on making the discouraged workless employable."*¹²³

This has been far from just a UK development, but rather part of what looks like broader public support across developed markets for reassessment of 'labour's fair share'. It is not surprising that political leaders, from the UK¹²⁴ to the US¹²⁵, have sought to amplify, and make political capital from an association with, these sorts of business baiting, if not bashing, narratives.

The many holes in the obvious case

Quite aside from the politics of the matter though, there are multiple reasons for questioning whether sector- or role-specific labour shortages can, or even should, be meaningfully addressed by targeted immigration policy.

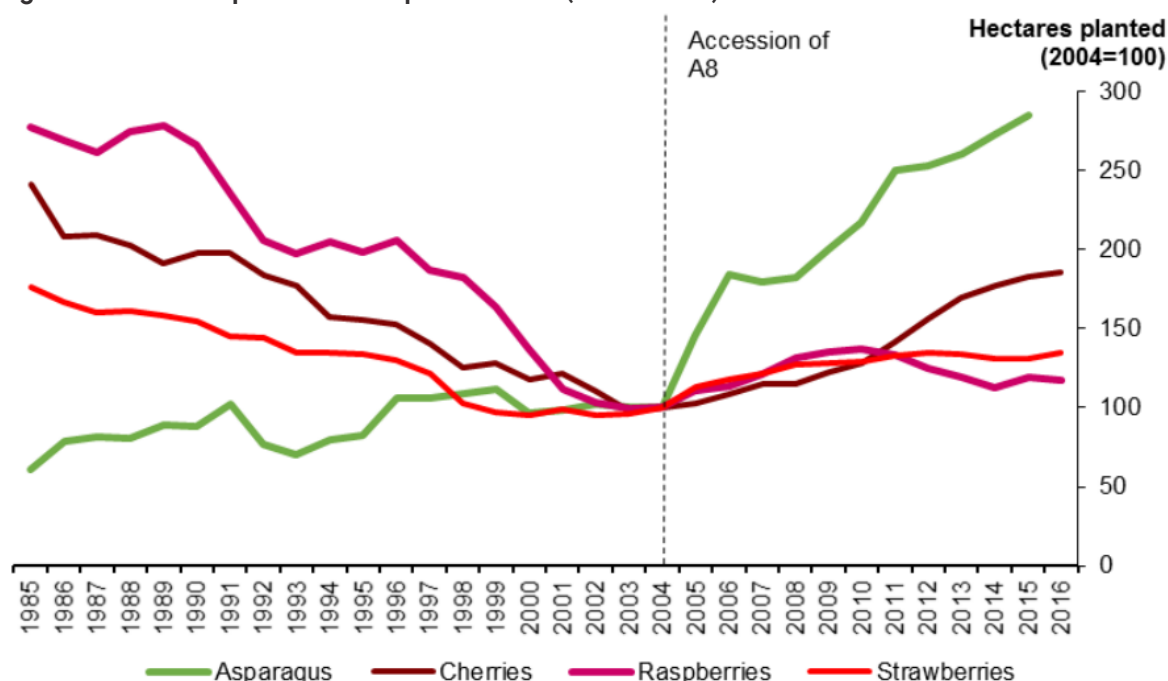
“There is no consensus on how much of a problem shortages of workers in low-wage jobs actually presents and thus whether immigration policy should attempt to prevent them.”¹²⁶

Or whether capitalism should be left to do its work, with shortages resolving themselves through adjustments to wages and prices, as happened in some instances in response to the most extreme post-pandemic shortages.

In the UK’s case, another perspective on this question would be to ask: if in the last 20 years the boon of EU freedom of movement allowed certain UK sectors and specific parts of them to grow far larger, and with more labour intensive models, than would otherwise have been the case, is it a problem if that now reverses, and if, for a time, labour shortages are the result?

There is nothing to say that having a certain (larger) size of hospitality sector or horticulture sector is necessary, or even advantageous, for the UK.¹²⁷ On one argument, the size and focus of the sectors can now just right-size to fit the new reality. The surface area of the UK given over to asparagus planting can simply revert to what it was before eastern European workers came in numbers to the east of England.

Figure 23: Hectare planted of crops over time (2004 = 100)



Source: MAC¹²⁸

At the macro-level, labour shortages are happening against a background of different, shifting interactions and feedback loops between the economy, society and immigration policy. While these may seem obvious in hindsight, they are not always so in real-time. They are fiendishly difficult to intervene in, as not only the size, shape and location, but the very nature, of different sectors, evolves as part of a two-way process. Economic shifts and changes in the way that business is done impact migration. But also vice versa; business operations do not just benefit from readily available overseas labour; they are in turn shaped by it.

For instance, the shift from high street retailing to online retailing has seen in-store customer service jobs decrease and warehouse jobs increase. This has potential migration consequences as the shift away from direct customer-facing jobs may be more open, and attractive, to migrants with less than perfect conversational English.

Readily available migrant labour in turn influences how businesses carry out their operations, but also the extent to which they are able to carry them out at all. As Philip Martin put it in the case of Californian agriculture: “If foreign workers are readily available, employers can plant apple and orange trees in remote areas and assume that migrant workers will be available when needed for harvesting”. The shape of the economy is changed and employers dependence on foreign workers is increased.¹²⁹

Likewise in the UK, the sheer scale and flexibility of available labour from Eastern European countries not only impacted the level of the available workforce in the UK, but also what it was prepared to do, *and* where it was prepared to do it. In food processing, lower-skilled EU workers’ willingness to come to work long hours in places in the UK that domestic workers were reluctant to relocate to, meant that food processing could be sited nearer the food sources.

At the more micro-level though, the MAC acknowledges the real-world disruption and damage that labour shortages may cause in the short-term. Shortages in one part of the supply chain have the potential to cause consequential impacts elsewhere – this was the MAC’s main concern with the shortages of HGV drivers. Even in lower-skilled sectors there may be times where unexpected events – such as the impact of the pandemic – require short-term fixes to address labour shortages.

But the MAC is circumspect as to what is the most appropriate action to take with regard to labour shortages in specific sectors. In a key sense, the MAC – both its very existence as well as its role – could be argued to sit at the heart of a *fair market* approach to labour immigration – as opposed to a free market one. The MAC’s role is to triangulate between the government, business, and migrant workers in the interests of the public. Not to address labour shortages in isolation, but to consider them in the light of a number of other factors; including the perceived risks of labour exploitation, the potential impacts on wages of the local population, and on the UK’s fiscal position.

“The MAC not only considers whether the occupation is in shortage, but also whether it is ‘sensible’ to address the shortage using migration.”¹³⁰

Here is the crux of the matter though: those closest to the process of trying to decide if and where labour shortages actually exist are the most sceptical of whether this can really ever be determined in an objective evidence-based way in the timeframe necessary to take action.

The MAC's method for determining the Shortage Occupation List combines quantitative indicators – see for instance its commentary on the potential for the 'Indeed' job-search website data to provide real-time insights into labour market conditions¹³¹ – with stakeholder evidence. But there is no agreement on the best combination and weighting of indicators. And, frustratingly, but not surprisingly, "stakeholder evidence is often inconsistent with the quantitative data". Madeleine Sumption, a member of the MAC, has wondered whether it would be:

*"intellectually more honest ... [to admit that] the decision what is really a 'priority' is as much about values as it is about labour market data, and this reality cannot be wished away by getting experts to crunch numbers."*¹³²

Evidence should always factor in employers' experiences; this is what any action on labour shortages will be designed to address after all. But employers' evidence is not objective. They are presenting data in support of their case for the opportunity to make greater use of immigrant workers in a particular role. The MAC has been accused of not listening to employers, but it has long expressed the concern that, in trying to weigh up evidence around perceived labour shortages between different sectors, the system favours those sectors with the most coordinated and concerted advocacy operation.¹³³ The MAC's position might be more accurately framed as listening with scepticism. As the former MAC Chair has put it, "there is nothing wrong with lobbying. It is important to hear what business thinks and the problems they face",¹³⁴ but:

*"Employer lobbying on worker shortages unsurprisingly tries to talk up the seriousness of the consequences, often using emotive images ... These claims may be accurate but could also be exaggerated. Employers are likely to present their case as being in the national interest but, first and foremost, what they are asking for is generally in their interest. In many situations what is 'best for business' is 'best for Britain', but not always."*¹³⁵

Even if shortages can be objectively assessed with any certainty, there are significant practical problems attendant on any system for doing so. One is the need for speed. For the speed of action required to address a shortage is at the same time the enemy of an objective assessment of whether there really is a shortage which needs to be addressed. Business is often pushing for a more regularly updated SOL. But those responsible for updating the SOL view this as part of the problem, not the solution. "It is not realistic to assume that policy can adjust quickly to emerging shortages and be based on rigorous evidence."¹³⁶

Furthermore, is a world where roles may regularly both rapidly enter but also exit the SOL really one where employers can most clearly and effectively plan ahead to fill their resourcing needs? Or is it instead a recipe for a rolling permanent state of unpredictability?

Another concern is that any system based on moving quickly to fill labour shortages is almost inevitably going to have to be a micro-managing, interventionist and politicised one. Even if it can be assessed which shortages *could* best be addressed by targeted immigration policy shifts, this still leaves the question which of those *should* be addressed in that way. Should it be the shortages that might cancel Christmas or the shortages most fundamentally holding back the economy? There becomes a real risk that framing the core aim of labour immigration policy as reactively obsessing about the most current, high profile labour shortages may tend too much towards prescriptive, reactive tactical fixes for perceived short-term issues, at the expense of longer-term strategic planning.

What about Australia?

Unlike the UK's 'points-based' employer-sponsored labour immigration route, the Australian system offers an actual points-based route (with no need for a job offer) as an alternative, and separate, to its employer sponsored route. Australia's approach to labour immigration might be considered the epitome of managing immigration as though it is addressing one big, long, quasi-permanent shortage crisis. This may be understandable. It is an island of relatively large spaces, few people, a long way away from anyone else, and with a relatively high standard of living to maintain. But it does mean that Australia is:

*"an outlier in which occupational lists are hugely important and some high-skilled workers in occupations that are not deemed to be 'in demand' are unable to get a permanent residence at all."*¹³⁷

Ironically though, while the UK pretends to model itself on the Australian points-based system – while in fact being an employer-sponsored system – a recent Australian study¹³⁸ pointed out that doubts over the effectiveness of the pure points-based part of the Australian system has meant that the employer sponsorship part of the Australian system has recently gained the ascendancy.

The Australian system exudes a scientific approach, rigidly framing needs around a series of occupation lists and labour shortage assessments applied at a very granular level. But that same study argued that:

- this approach is largely a mirage in terms of presenting and pretending that shortages can be objectively and scientifically determined in this way, and is more the outcome of intense lobbying,
- once lower-skilled jobs go on to the shortage list they tend to remain there permanently, seemingly a disincentive to train local workers to do those roles,
- Australia's practice of offering permanent skilled worker visas based on assessment of short-term skills shortages is not the most beneficial approach for Australia in the long-term in terms of attracting the best set of skills from overseas,

- salary level is a better indicator than formal qualifications of the skills that the economy most needs and values over the longer-term.¹³⁹

Ironically, for all the hand wringing about the UK's perceived ham-fisted impersonation of the Australian system, in effect some experts in Australia seem to believe that Australia could learn from the UK rather than the other way round.

At least until recently, on the face of it, Australia has also more stringently than the UK held the line in only allowing labour immigration for higher-skilled roles, using academic qualifications as a proxy for skills. Labour shortages in lower-skilled sectors have therefore had to be addressed outside of the skills-based system. The most well-known of these approaches being Australia's use of overseas working holidaymakers, aka 'backpackers', in its horticultural sector. Here it has used the promise of extended visa stay to incentivise young visitors from certain overseas countries to spend a portion of their time in Australia working in remote areas, working in jobs and conditions that are not attractive to local workers, and that the labour immigration system would not admit migrant workers to do.¹⁴⁰

It is in this sense that the Australian system may provide an important lesson for the UK; which we devote Chapter Seven to addressing. That is the potential for labour shortages to be addressed by employers also using potential migrant workers that have lawfully migrated outside of the core labour immigration system. As we shall come on to, the UK is particularly blessed with these.

The experience of the Australian backpacker visa also touches on two other important aspects of labour immigration policy close to the MAC's heart: wage levels and labour exploitation risks. In particular, the concerns around exploitation inherent in low-paid roles that are either tied into sector-specific schemes or, as in the Australian model, to an incentive (longer stay in Australia) separate to the pay and conditions of the job.

The MAC's deeper concerns: exploitation and wages

The MAC is concerned that addressing labour shortages through immigration policy has particular risks for wage levels and for exploitation of workers. The MAC defines the risk of exploitation as being where workers are put in a situation where they are not treated in accordance with their rights or general labour market rules and standards.

The MAC acknowledges that exploitation is not solely an issue affecting migrant workers, nor an issue where the optimal response lies in immigration policy. Indeed, ideally such issues would be addressed by a new, properly funded, single labour market employment rights enforcement body in the UK. This was committed to by the Government in its last election manifesto, but has yet to materialise.¹⁴¹ As a result, as reminded in a recent Resolution Foundation report:

*"The UK labour market enforcement system is highly fragmented, with six core bodies plus local authorities overseen and funded by seven different government departments. This piecemeal institutional set-up contrasts strikingly with practice in many other OECD countries ... where most if not all enforcement functions are frequently brought together into a single organisation."*¹⁴²

But the MAC also sees particular exploitation risks occurring as a result of specific aspects of the migration experience, and of the design of the immigration system.

Linking a migrant worker's permission to work in the UK to a specific employer has pros and cons from the perspective of worker rights. On the one hand, having named employers issued with a sponsor licence and having to take responsibility for compliance reduces the risk of rogue employers using the system and should protect worker rights. Yet, in practice, the UK is viewed as adopting a lax approach to the practical application of labour rights. The above report cited the usual litany of failings in terms of the numbers in the UK estimated to be paid below the minimum wage, denied holiday pay, and not even receiving a payslip by which they could check these things.¹⁴³

This is all underpinned by the UK's relatively *laissez faire* approach to labour inspection – “the average employer can expect an inspection around once every 500 years”¹⁴⁴ – with just under 0.3 labour market inspectors per 10,000 workers leaving it “ranking 27 out of 33 comparable OECD countries”¹⁴⁵ – which therefore has little deterrent effect on employers.

The MAC's particular focus on the risks of exploitation arising from the structures of the immigration system was one of the reasons it was so circumspect about lowering the general salary threshold of the employer sponsored route post-Brexit and continue to be particularly focused on minimum salary requirements in respect of policy responses to labour shortages. The MAC considers that the distortion of bargaining power, and therefore risk of exploitation, rises significantly where labour shortages are addressed through targeted labour immigration routes where overseas workers are brought in on low pay on a temporary and restricted basis. This is the case where the worker is allowed only to work in a particular sector, or for a particular employer, with no or highly restricted ability to switch sector and/or employer. The MAC has more recently voiced these concerns again with regard to the design of a potential UK rural visa pilot, to seek to encourage overseas workers to locate to more remote, depopulated areas of the UK. Here the proposal is that the worker be tied to a local employer for a period of time, which the MAC has expressed concerns about.¹⁴⁶

These approaches can be contrasted with the position under less targeted, more flexible, programmes. These include freedom of movement itself, but also the Youth Mobility Scheme. In not tying workers to employers, such programmes cannot be used in the same targeted way to address labour shortages but – while these routes themselves are not always wholly immune to exploitative practices – give workers greater options and bargaining power.¹⁴⁷

The exploitation risks of targeted labour immigration routes can be compounded by other factors commonly present in such arrangements. This includes where the worker has incurred debt to come to the UK, where accommodation is also provided by the employer alongside the job, by the lower levels of unionisation and understanding of worker rights among migrant workers, and by their lower levels of English language ability more generally.¹⁴⁸ Indeed, the reason that the MAC is particularly concerned about exploitation of migrant workers in the horticultural sector is that, unlike under the Skilled Worker route, there is not the same requirement for English language proficiency as part of the admission process.¹⁴⁹

It is also important to set this issue in context though. There are many reasons why migrant workers may accept worse conditions and worse pay than resident labour, without this necessarily being indicative of exploitation. One reason would be to gain an initial foothold in the UK/sector while orientating themselves and improving their language skills. Another would be that, whether they intend to stay for only a shorter time and take their earnings home with them, or to stay longer and remit a portion of their earnings back home, even a low salary in the UK can amount to very much more in their home country and therefore might be much more acceptable to them.

The MAC's focus on wage levels goes beyond minimum wage compliance though. Its view is that labour immigration policy should be aligned with fostering wage ambition. This proved to be one of the greatest sources of tension between employers and the MAC in the debate around what was the appropriate salary threshold for the post-Brexit labour immigration system. In their public advocacy at least, the business community generally took that debate as an opportunity to evidence how many workers were paid below the proposed salary threshold and the problems that threshold would therefore cause if it were not lowered. But for the MAC, this approach was itself evidence of the core problem, that:

- business was arguing that certain occupations were skilled roles and should therefore be eligible for inclusion in the Skilled Worker sponsorship system,
- but were arguing that even though skilled, these roles were not worth a higher salary,
- anchoring their arguments around what workers had been paid under the old system,
- rather than considering whether businesses could afford to pay workers a higher salary to gain access to them as skilled workers under the new system.¹⁵⁰

This tension is still very much evident now. It is particularly manifesting itself in terms of the circumstances in which roles should be allowed on to the Shortage Occupation List. How has this tension played out in practice, post-pandemic in the UK, as labour shortages emerged? And what next?

CHAPTER SIX – THE TENSIONS AT THE HEART OF THE PROJECT: THE GOVERNMENT’S RECENT APPROACH TO MANAGING LABOUR SHORTAGES IN THE UK

The Government tweaks the rules, but holds the line

Despite the Government’s mantra that employers will need to adjust, its response as labour shortages emerged and made front-page news was not simply to do nothing. The political reality was that the lack of the short-term fix of a transitional regime for the move away from EU freedom of movement, and the inability of the economy to immediately adjust to the situation post-COVID and post-Brexit, led to such widely publicised shortages in some parts of the labour market that the Government felt compelled to *appear* to take very public action to address perceived urgent need.

As Ian Robinson pointed out, there are a myriad inputs into the decisions around such responses, and while economic outcomes and policy consistency are obviously important, so is reassuring the press and public, and being seen to ‘save Christmas’.¹⁵¹ With Christmas 2021 on the horizon, food and petrol deliveries, and availability of turkeys, loomed sufficiently large in the public’s mind at that point that the Government clearly thought that it needed to be ‘seen’ to be doing ‘something’. In particular, about HGV drivers and poultry workers.

There is a risk that an obsession with the most current, high-profile labour shortages encourages prescriptive, reactive tactical fixes at the expense of longer-term strategic planning. From one perspective, the Government’s actions seemed to smack of knee-jerk reactive regret. Having dispensed with the original plan for a formal transitional period, the Government was left instead to fashion an ‘on the hoof’ hyper-short-term targeted transitional approach in order to ‘save Christmas’. Or at least one that appeared to do so; in practice only small numbers of workers actually came into the UK under the new/expanded routes provided.¹⁵²

But, at the same time, tactical responses can be an important tool within immigration systems, representing an adjustment in the light of emerging evidence about labour market stresses and strains.¹⁵³ Short-term flexibility of the immigration system might be argued to be evidence of the system’s strength, not its failure. And short-term solutions might in fact be the optimal solution, either if the problem is a short-term one, or if there is not yet agreement on what the optimal more permanent fix should be – as with social care. In this sense, rather than undermining or backtracking from the new system, short-term tweakism could be viewed as underpinning it.

While not without concerns over the uncertainty created for employers by the last-minute, unpredictable and opaque nature of the short-term fix approach, the MAC acknowledged the difficult balancing act the Government was trying to pull off:

“between maintaining the general principles of the new Skilled Worker route and not being completely inflexible in the face of challenges that may have substantial consequences for the economy – some of which are the result of the pandemic.”¹⁵⁴

And these changes were not necessarily inconsistent with the Government's core approach and messaging. Even as it implemented these exceptions and short-term 'fixes', on the face of it designed to let in lower-skilled, lower-paid workers in certain sectors, in fact exactly *because* it was doing so, the Government chose to reiterate its high-wage, high-skill ambition. Indeed, wage ambition was built into the more fundamental immigration policy shifts.

Thus, in announcing temporary UK visas for food lorry and fuel tanker drivers¹⁵⁵ in September 2021, the Government positioned this clearly as a short-term measure and took the chance to reiterate its longer-term stance:

"The Department for Transport said it recognised that importing foreign labour "will not be the long-term solution" to the problem and that it wanted to see employers invest to build a "high-wage, high-skill economy.""¹⁵⁶

Three months later came the announcement of the relaxation of the immigration rules around care workers, care assistants and home care workers, with their addition to the Shortage Occupation List. And also the further expansion of the number of seasonal horticultural workers to be let into the UK. But both of these announcements came with a challenge embedded in them.

In the horticultural sector, the announcement was accompanied by a statement that:

"While acknowledging the sector's reliance on foreign workers, the UK is committed to becoming a high-skilled, high-wage economy and the government has been clear that more must be done to attract UK workers through offering training, career options, wage increases and to invest in increased automation technology."¹⁵⁷

Three months later, the Government acted, raising the minimum rate for a seasonal worker to that of the Skilled Worker minimum, i.e. £10.10 an hour.¹⁵⁸

In social care, the minimum salary level set was designed to drive a wage uplift – in England at least where social care wages had lagged – by those providers wishing to bring in overseas staff. In order for employers to take advantage of those care roles being included in the Health and Care visa and placed on the Shortage Occupation List, the pay for those roles had to meet the minimum salary under the Skilled Worker visa.¹⁵⁹

The MAC has been particularly vocal about the need for wage ambition in the social care sector. The MAC views wage levels, tied to unwillingness to pay for/fund social care, as at the root of that sector's problems. The MAC had therefore recommended that social care roles only be opened up to overseas workers if combined with a minimum wage uplift, to the £10.10 an hour rate (the MAC has also argued for the Government to be willing to fund a minimum rate of pay above this level where care is provided out of public funds). To do otherwise would:

"facilitate the already too widespread practice of paying care workers less than the value they provide... one cannot seriously address the workforce issues in social care unless pay is improved; this is essential to boosting recruitment and improving retention".¹⁶⁰

It was because the MAC regards the workforce challenges in the social care sector as being of a permanent rather than a temporary nature that, unlike in respect of the other short-term fixes, the MAC disagreed with the Government that the changes to care worker eligibility under the immigration rules should be viewed as temporary – arguing that they should be made permanent.¹⁶¹

Emergency reactive short-term fixes were therefore introduced once the new system was up and running. But these adjustments were accompanied by rhetoric or actions – immigration rule changes raised the minimum wage required to be paid to migrant workers in both the seasonal horticultural and social care sectors – that at least seemed consistent with wage ambition. But could the same be said for the concept of the Shortage Occupation List itself, the mechanism which sits at the core of the UK’s labour shortage management system?

The Shortage Occupation List – The counter-intuitiveness and conflict at the heart of the system

The Shortage Occupation List is a list of specific roles in the UK which have been adjudged to be suffering from worker shortages *and* that should be further opened up to migrant workers. If a role is put on the SOL, the skill level requirement under the sponsorship system is – with very limited exceptions in horticulture and social care – maintained. But, in order to seek to address the shortage, the required salary level to bring in an overseas worker is reduced. For an employer hiring an overseas worker into a role on the SOL, the annual salary threshold – post the 2023 budget, now £26,200 (the ‘general threshold’) or the 25th percentile pay for the occupation (the ‘going rate’ threshold) – is discounted by 20% – subject to an overall floor, post the 2023 budget, of £20,960.

There are four core counterintuitive aspects of the SOL system:

1. The rhetoric of the post-Brexit labour immigration system set itself against carve-outs for specific occupations – save for in very limited circumstances. Yet the SOL mechanism is arguably exactly such a system, by the back door.¹⁶²
2. If workers cannot be found to fill a particular role, it might be thought that role needs to pay a higher, not lower, salary to attract them.
3. It does not seem aligned with ambitions for a high-wage economy; quite the opposite.
4. The MAC has made clear its reservations about the SOL system for exactly these reasons. Yet, it is the MAC that is responsible for recommending to the government what roles should go on to the SOL.

If having the MAC perform the unenviable task of making recommendations that the MAC does not feel entirely comfortable in making were not sufficiently ironic, the government can – and indeed sometimes does – then decide not to follow those recommendations.¹⁶³

The SOL was also part of the pre-Brexit labour immigration system, relevant for non-EU workers coming in through the sponsorship route. Post-Brexit though, with the ending of EU freedom of movement, and the application of a salary threshold to *all* incoming workers, the SOL has become much more important. For some sectors, the discount on the salary threshold that a role receives from being admitted on to the SOL is fundamental to their ability to use immigrant workers.

“For some lower-paid skilled jobs (with salaries in the £20,480 to £25,599 range) ... the reduction in the salary for shortage occupations is so significant that occupations essentially need to be on the list if employers can reasonably hope to hire foreign workers.”¹⁶⁴

The SOL embodies the stark tension between, on the one hand the visionary rhetoric – onward towards the longer-term destination of a high-wage, high-skill economy – and, on the other, the practical reality of the everyday economy – the perceived immediate-term need for certain occupations to be assisted in filling their labour force gaps to be able to continue delivering their goods and services. The result is what appears to be a glaring inconsistency, a semi-permanent ‘short-term’ fix which risks perpetuating shortages instead of addressing them.¹⁶⁵

Where then does the story of the MAC and the SOL go from here?

First: the MAC has pushed back on the core counterintuitive aspect of the SOL mechanism. It has stated that going forward those roles subject to the going rate threshold will no longer be eligible for inclusion on the SOL, on the basis that reducing wages of those roles is a perverse response to shortages, and risks undercutting resident workers. Only those occupations subject to the general salary threshold – i.e. those for which the occupation’s going rate falls between £20,960 and £26,200 – will therefore now be considered for inclusion in the SOL, because for these roles allowing a discount against the general threshold can still represent a wage uplift for the job.¹⁶⁶ For example (using numbers based on the pre the 2023 budget uplift):

“senior care workers would face a salary threshold of £25,600 (the general threshold) if they were not on the SOL. This is above the 75th percentile of the wage distribution for this occupation, making it an unrealistic route for most such jobs. The 20% discount on the general threshold that being on the SOL allows, reduces the threshold to £20,480. This is still comfortably above the ‘going rate’ for this occupation (£18,039), reducing any concerns over undercutting. The MAC would suggest that any salary threshold advantage to being on the SOL should be limited to those occupations where such a reduction does not go below the ‘going rate’ for that occupation.”¹⁶⁷

Second: the MAC has made clear that the approach it took for social care, recommending occupations below RQF 3 level for inclusion on the SOL, should be regarded as very much the exception, and requires compelling evidence which the MAC have not yet found elsewhere.¹⁶⁸ The potential application of this dispensation to other sectors cannot therefore be relied upon.

Third: the MAC has stressed that “as the SOL is part of a strategy to address shortages for a particular job in the UK market, no jobs will remain on the SOL indefinitely”.¹⁶⁹

The takeaway is that the recent expansion of the SOL might not only come to an end, but reverse. If the window for immigration policy to be used to address labour shortages seems about to narrow further still, what of alternative approaches?

Alternatives to immigration

The high levels of labour immigration that the UK has experienced in recent times could be viewed as both a testament to the success of the UK economy – its attractiveness as a destination for overseas workers – and also to its failure – a failure to improve training, pay, conditions, retention and productivity in ways that would obviate the need for so many overseas workers. From this perspective access to, indeed reliance on, plentiful overseas labour can provide both a cover for this failure, and also perpetuate it.

In the MAC’s words:

“it is natural for firms to want to be able to expand output and employment while keeping costs down. It is not so clear this is in the interests of the wider society – it might be better for favourable demand to translate into higher productivity or wages but a smaller increase in employment.”¹⁷⁰

Alternatives to immigration include:

- boosting the attractiveness of roles through raising wages and/or otherwise making these jobs more attractive to local workers,
- reducing the labour-intensiveness of roles through innovation and/or automation,
- changing the mix of goods and services provided, reducing or obviating entirely the need for the role altogether.

For each occupation, the practical options will differ. This will depend on the feasibility and costs of implementing these changes, and the sensitivity of the consumers of the goods or service to any resulting additional costs or other change to the goods/service provided.¹⁷¹

Wages/Conditions

Higher wages should bring people in, or back in, to the labour market, and incentivise those already employed to do more hours. It should also incentivise employers to upskill employees and automate lower-skilled jobs, improving productivity.

Higher vacancies do not automatically translate into higher wages though, particularly in lower-skilled jobs. Higher wages need to be supported by productivity enhancements and/or consumers – who have become used to low prices – need to be persuaded to accept higher prices. In the UK’s experience of post-pandemic labour shortages, the correlation between rising vacancies and rising wages has been patchy.

Many wage rises have been one-off rather than long lasting. Nevertheless, labour shortages in lower-paid sectors, from hospitality to HGV drivers, have led to pay rises in specific roles, and there are now stories of labour winning out at the expense of capital¹⁷², lower earners' wage growth outpacing that of higher earners¹⁷³, even if inflation has more than eaten away what those gains can actually buy.

The HGV sector in the UK does seem to have been a particular 'success' story in this regard, with a concerted effort to train more domestic drivers, assisted by the Government's skills boot camp programme, who have been attracted into the sector by increased wage rates. Despite the higher costs to employers (flowing through into higher transport costs), there do seem to have been some offsetting benefits from a more stable driver pool and less "reliance on often unreliable temporary agency drivers, leading to easier staff rota management and less damage to the truck fleet as a result of better driving".¹⁷⁴

Even in the most cost constrained sectors apparently weaker wage growth may not tell the whole story as – aligned with our interview findings – employers might prioritise other enhancements to work conditions in order to seek to attract employees. These can include one-off welcome bonuses (which may not appear in payroll data), 'refer-a-friend' recruitment payments, increased annual leave, and offering more flexible and part-time working options.¹⁷⁵

For all the public campaigns that may laud the contribution and status of specific roles in society and the economy though, it is hard to overstate the importance of wages not just in the immediate attractiveness of the role, but as a validation of how much it is valued in society.¹⁷⁶

In a sector such as social care, this can appear an existential problem, compounded where services are publicly funded by the fact that wages cannot adjust to match the supply and demand. In the case of the publicly funded portion of social care in England this has led the MAC to recommend a fully funded minimum rate of pay for care workers in England that is above the National Living Wage.¹⁷⁷

Raising wages at the bottom of the pay ladder though can also cause challenges. Recruitment is not the same as retention. An uplift of entry level pay may compress wage differentials, reducing the wage premium more experienced workers can expect to receive. This can make it harder to retain staff through offering an attractive prospect of income/career progression, and can result in higher turnover of more experienced workers. This appears to have been a particular factor in the social care sector, where senior care workers capture little pay premium for their extra experience.¹⁷⁸ In this situation, raising wages for existing workers as well might actually be "a cost savings in disguise" if it outweighs the high costs associated with turnover, "especially for hard-to-fill positions".¹⁷⁹

In terms of seeking to make job conditions more attractive to a broader range of potential employees, management quality can be an important differentiator, even in businesses that may superficially look the same. In the MAC's 2021 annual report, with reference to the research the MAC had done around the shortage of butchers, the MAC said:

“we spoke to one employer who had redesigned the nature of some of their butchery work to make it more easily done by women and was planning to offer part-time working; in contrast, another processor had recently stopped offering school hours shifts and part-time work despite difficulty recruiting. Employers who are able to offer conditions that suit the greatest number of people are likely to be those who find it easiest to recruit staff.”¹⁸⁰

In its 2022 annual report the MAC probed further the response of employers with roles that had historically employed high proportions of now ineligible RQF 1-2 EEA migrant workers. It paints the same very mixed picture of the responses of ostensibly similar firms. At one end of the spectrum, some employers seem determined not just to keep their business alive, but thriving. By making their offer to employees much more attractive by actively looking to adapt and diversify their workforce options and recruitment strategy; providing their workforce with incentives for referring new employees, with training and flexible work options, while also considering the longer-term automation potential within their business. At the other end of the spectrum – the MAC is quite blunt about this – are those employers looking to change absolutely nothing, with no apparent evolutionary plan whatsoever.¹⁸¹

Innovation/automation

The MAC’s supporting analysis to the Government in terms of determining the shape of the post-Brexit labour immigration system found the evidence around the overall impact of immigration on productivity and innovation to be inconclusive. Although, unsurprisingly, high-skilled migrants appeared to have a positive impact.¹⁸²

At the lower-skilled end though, a surfeit of labour is widely regarded as a dampening force on innovation and automation.

“Contrary to the fashionable angst about automation ... economies have recently become much more labour intensive. Indeed, many economic models that have emerged over the past couple of decades show a distinct rising dependence on low-cost labour, whether sourced in foreign localities or sourced from immigration. In short, courtesy of globalisation and globalized labour mobility, most Advanced Economies have become addicted to low cost, mostly foreign, labour.”¹⁸³

Cited in the MAC’s 2022 annual report was a US study of regional clustering of less skilled immigrant inflows in certain metro areas of the US in the 1980s/90s which found “that firms in areas with high immigration flows adopted significantly less machinery per unit of output, despite having similar adoption plans initially”, consistent with plentiful access to lower skilled labour resulting in less investment in automation and technology.¹⁸⁴ This episode was a ‘natural experiment’ of an exogenous labour supply shock, to which the MAC see EU freedom of movement as analogous, given the extent to which:

“it increased the pool of labour available to employers, particularly in RQF 1-2 occupations. This may have historically dampened incentives to adopt machinery. The end of FoM is therefore a shock in the opposite direction, which could encourage firms to turn to automation to substitute for less skilled labour – though this is by no means guaranteed.”¹⁸⁵

Evidence of a glut of lower-skilled workers dampening automation is one thing. Is there evidence of labour shortages actually stimulating automation?

Analysis just published, albeit looking a long way back into history, has suggested that shortages of lower-skilled workers in specific coastal areas of the UK during the Napoleonic Wars – due to the Navy’s conscription drives in those areas – may have been a key factor in the more rapid adoption of technology in those areas which in turn contributed to the Industrial Revolution.¹⁸⁶

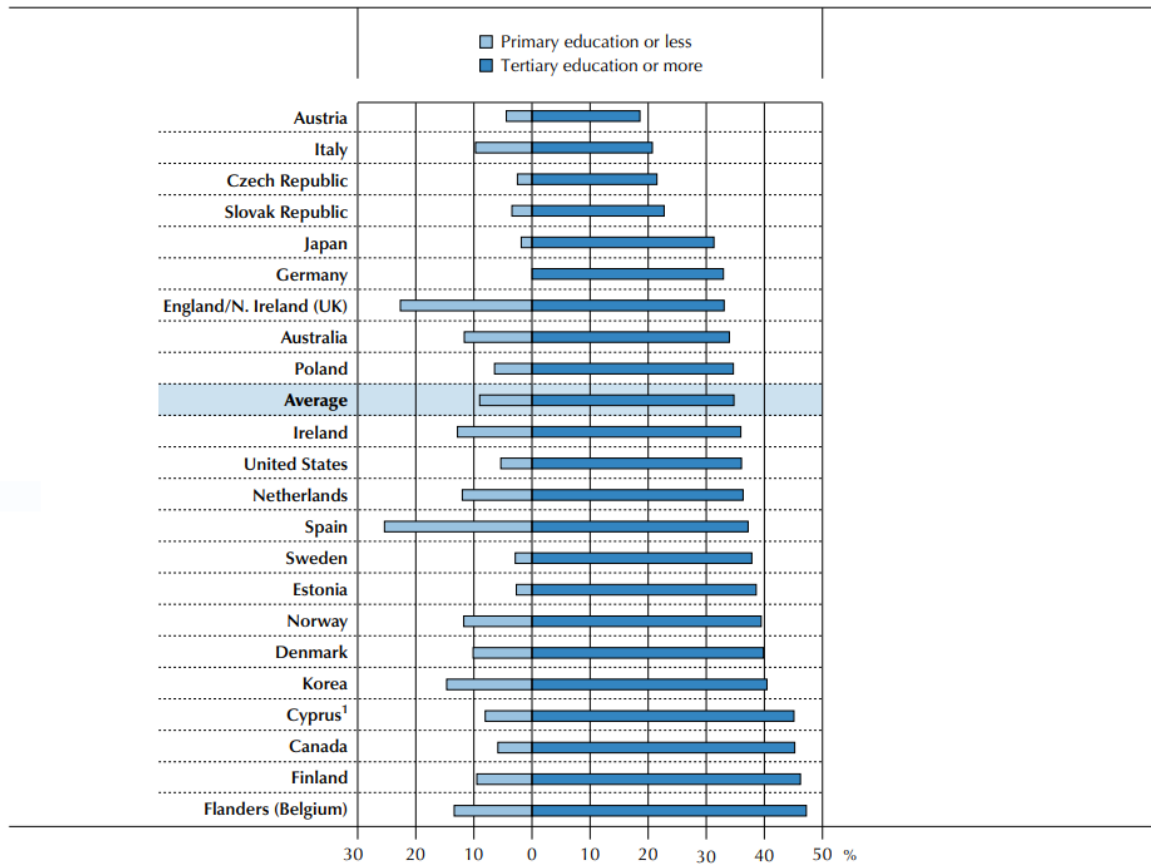
In California, when the cheap, temporary Mexican labour programme to pick the tomato crop was ended in the 1960s, farmers argued that less tomatoes would be harvested, and at a far greater cost. Yet, 35 years later, it took only a little over 10% of the workforce to sort five times the numbers of tomatoes which were now harvested by machines.¹⁸⁷

Agriculture though is sufficiently flexible that where migrant labour is unavailable or too expensive, and processes for a particular produce cannot be easily automated, what is planted can be changed to that which can be harvested by machine.¹⁸⁸ But the interplay of access to labour and incentives to automate are complex, and very different between different sectors. Some have processes and service delivery elements that are much more potentially automatable than others.

Moreover, just because something can be automated does not mean that it should be. In some customer-facing roles there is the sense that, even if the service could be automated, it is the human interaction at the heart of the service that is most valued by the customer. Yet, in Wetherspoons customers now seem quite happy to order food and drink in-pub through the app, and self-serve themselves the free coffee. Recent history is indeed littered with roles which seemed synonymous with the requirement for human interaction, until they weren’t. And once the change had taken place it seemed hard to remember that such roles had ever existed – witness, for instance, the demise of petrol pump attendants, at least in the UK.

Some of those most critical of the impact on the UK from freedom of movement for work have claimed that the UK is an outlier in terms of its low adoption of automation – “Britain has less robotic automation than any other major manufacturing nation”. They argue that large-scale immigration is not only responsible for holding back progress on automation, but actively reversing it, citing the relative resurgence of hand versus automatic car washes.¹⁸⁹ And, indeed, there is evidence – from when EU freedom of movement to the UK was still in full flow a decade ago – that the UK was much more comfortable than most other developed economies in staffing its economy with lower-skilled jobs even if those doing those roles were qualified to do higher-skilled ones.¹⁹⁰

Figure 24: Percentage of workers in jobs requiring primary education (ISCED-1) or less and in jobs requiring tertiary education (ISCED-5 or higher)



Source: OECD¹⁹¹ as at 2012

For businesses formerly most reliant on the relatively cheap supply of RQF 1-2 labour under EU freedom of movement, there may now be a greater push to reduce the labour-intensiveness of work, but this will not happen overnight. As the MAC said in its latest annual report:

“Across the organisations we spoke to, several expected to see an increase in automation being built into their operations in coming years for several reasons. However, automation was often seen as a gradual rather than binary process. Whilst they believed it may reduce the need for labour over time, few saw automation as a feasible way to address staff shortages in the short-term.”¹⁹²

In the construction sector, as referred to earlier, the potential (non)sustainability of the labour-intensive approach of the sector’s prevailing business model – particularly in the context of an aging and declining workforce – was a matter of significant debate and concern even prior to the EU referendum, as highlighted in the Farmer Review. This was in response to the Government’s request to the Construction Leadership Council “to identify actions to reduce the industry’s structural vulnerability to skills shortages”. The Review took aim at a “survivalist business model ... underinvestment in training and development, in innovation, in raising productivity” and dependency on an aging and declining onsite workforce, the:

“ticking ‘time bomb’ ... of the industry’s workforce size and demographic. Based purely on existing workforce age and current levels of new entrant attraction, we could see a 20-25% decline in the available labour force within a decade.”

The review advocated that the sector embrace technological change and innovate in the construction process itself.¹⁹³ Yet, there is far from universal agreement even here, and in most sectors, in terms of immediate capacity to address labour shortages, automation looks less like a magic bullet and as much of a challenge as an opportunity.

Technology adoption generally requires decades of investment in people and process. Employers must have a mindset to not only understand the necessity of a shift, but the capacity, capability and support to be able to drive forward and manage this transition. Hiring immigrant labour now may require more planning and preparation on the part of employers than it did under EU freedom of movement. But still much less planning and preparation than the business strategy rethink required to invest in the adoption of automation.

There is a lot in this report about the skills of the workforce. But a shift to automation is dependent on the skills of the managers and leaders of businesses. In this sense, while people are a key enabler of automation, they can also be a key blocker. Most sectors have lacked the people, resources and data to build technical solutions to their own problems. The few that have – largely finance and technology – have leapt ahead, and large numbers of jobs that used to exist in those sectors have been automated away.

But this is unlikely to be the norm across all sectors. Opportunities for augmenting human performance in roles are likely to be greater than for automating existing tasks to remove humans from them entirely. Barcode scanning in supermarkets has allowed self-service checkout, but has also made serviced checkout far quicker. This ties into an often-overlooked angle of change in the workforce. Overly focusing on the death of old sectors and the birth of new ones can miss the tremendous amount of change that takes place *within* occupations, in terms of the skills and ways of working those occupations require.

Increasingly, some economists are thinking that automation will not only not kill jobs, but the very opposite. A growing body of evidence, from Japan to Finland, suggests that the adoption of automation technologies may actually increase overall employment, as it helps firms prosper, expand, and focus on products and services that are more labour-intensive.¹⁹⁴ If correct, this would hardly therefore herald the end of the need for significant overseas labour in the UK.

Thinking more expansively and imaginatively about migrant workers

If reactive targeted immigration policy to fill perceived labour shortages is hard to get right, and may have significant drawbacks even if successful. And if non-immigration policy alternatives are so challenging, not universally workable, and even in the best scenario will take a long time. What then are the other angles of immigration policy that may help to address labour shortages?

The next two chapters separately address two of these:

- for the immediate term: thinking more expansively about migrant workers *already* in, or available to, the UK outside of the sponsored Skilled Worker route – Quadrant A in the diagram in Figure 1;
- for the longer term: thinking more expansively and pro-actively about sourcing and preparing the migrant workers the UK *will need* in the future – Quadrant D in the diagram in Figure 1.

CHAPTER SEVEN – THINKING MORE EXPANSIVELY ABOUT IMMIGRANT WORKERS: PART 1 – THE IMMEDIATE TERM

Per Chapter Five, the Australian system does have at least one clear lesson for the UK; when seeking to address labour shortages and workforce gaps, do not just fixate on the dedicated Skilled Worker visa route. What about the other immigration routes, and therefore pools of potential workers from overseas, that are already available? Particularly if these give employers access to workers in roles and at rates not covered by the Skilled Worker route, are employers utilising these as expansively and creatively as they can?

In the UK there are many such routes/pools (even ignoring those highly-skilled routes under what used to be Tier 1 of the labour immigration system, or new ones introduced post-Brexit in that same category, which we do not consider here).

Core attributes of these routes/pools

1. Numbers

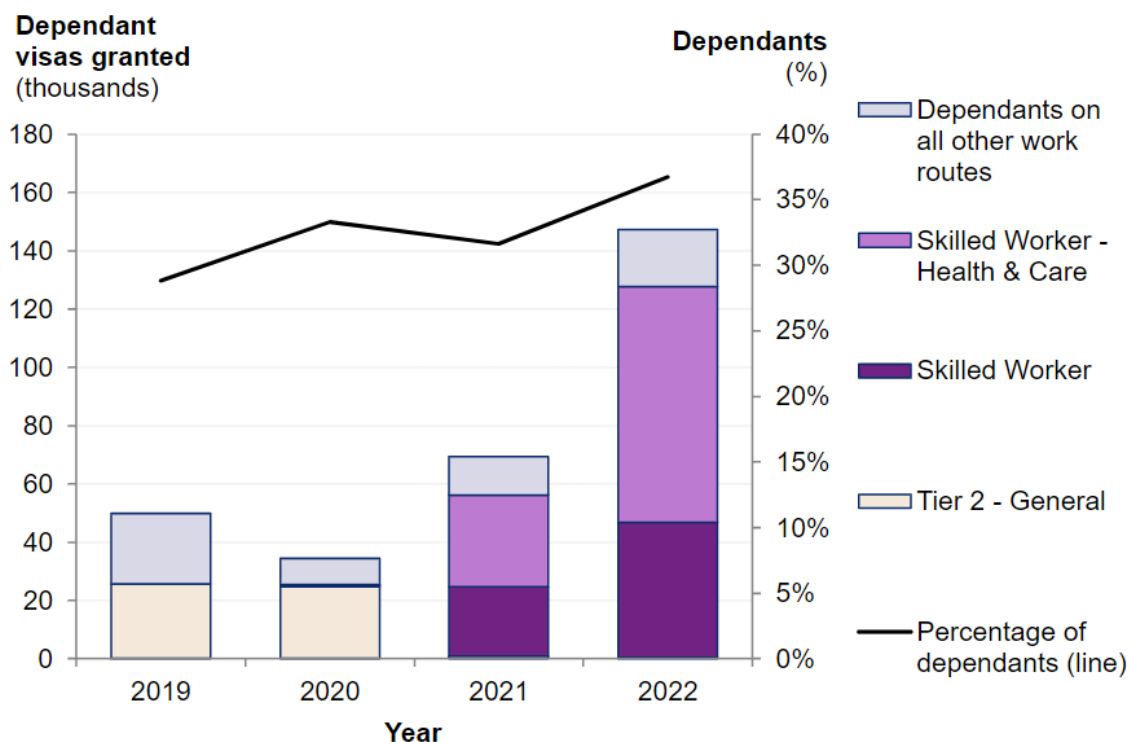
As the MAC has pointed out:

“While the MAC’s focus has often been on the Skilled Worker route and its predecessor, it is important to note that main applicants to the Skilled Worker route account for a small proportion of individuals granted visas to enter the UK in a given year, and of those entering the UK with at least some right to work.”¹⁹⁵

Included in this are dependants of those coming on the main visa. The soaring numbers of dependants of overseas students recently entering the UK has brought greater media attention to this corner of the immigration system.¹⁹⁶ In 2022, 22% of sponsored study related visas were issued to dependants, up from only 6% in 2019.¹⁹⁷

Numbers of dependants of work visa holders have also substantially increased, with the strength of inflows under the Skilled Worker – Health & Care visa seeing a particularly large number of dependants entering; the top three nationalities by dependant visas issued through this route in 2022 being India (33,459), Nigeria (16,729) and Zimbabwe (9,939).¹⁹⁸

Figure 25: Visas granted to dependants of work visa holders by visa route, and the proportion of all work-related visas to dependants, 2019 to 2022



Source: Home Office Immigration system statistics, year end December 2022¹⁹⁹

Across all routes, dependant arrivals have recently made up nearly twice the number of dedicated (non-temporary) worker arrivals.²⁰⁰ While dependants may initially be less likely to work, the UK generally grants them relatively generous rights to work under many routes, and many therefore do so.

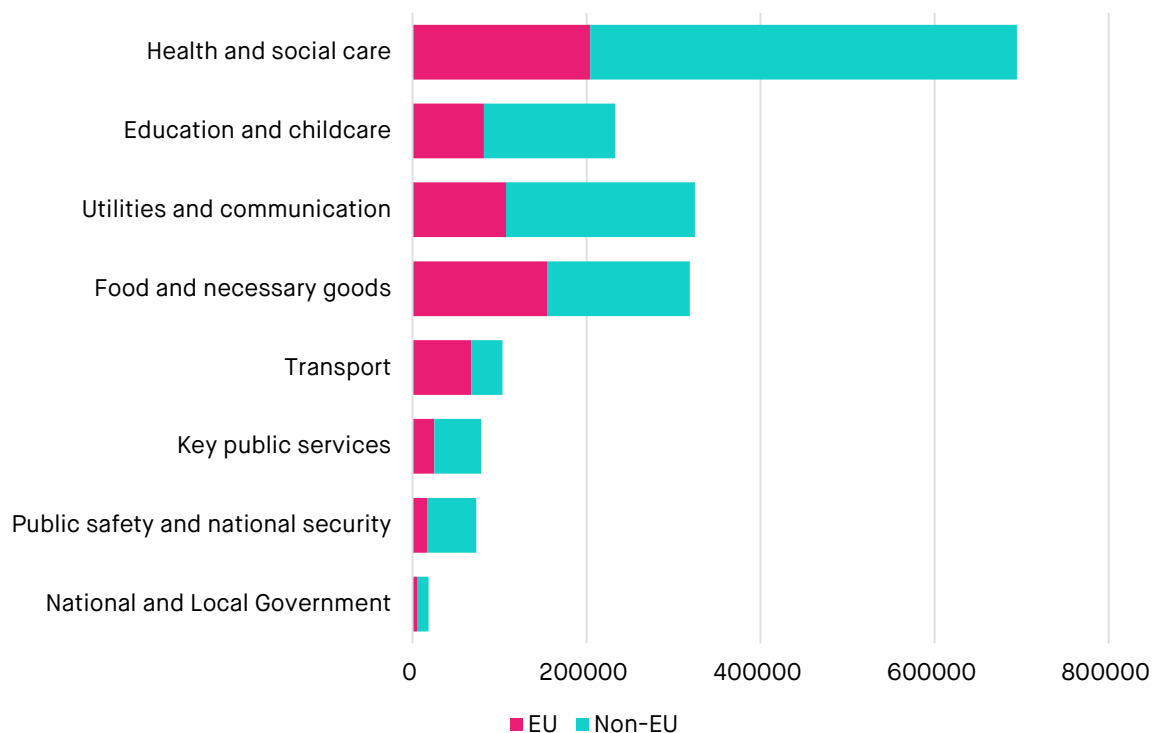
2. Unrestricted

Unlike those coming through the employer sponsorship route, those in these pools are largely unrestricted and unconstricted in what working roles they can do and at what salary. The flipside of the unrestricted and unsponsored nature of these pools though is that they are less compatible with targeted micro-managed immigration labour policy responses to meet specific labour shortages; these people can choose where to work.

But they are free to work in lower-skilled and lower-paid roles, and they do. This might explain why migrants born outside the EU account for a greater share of the UK’s care workforce than migrants born in EU countries.²⁰¹ This is the case even though, prior to Brexit, EU workers could freely work in the sector under freedom of movement, whereas many jobs in the care sector were unavailable to those coming to the UK to work from outside the EU on a work visa, as they did not meet either the formal skills or the pay threshold for employer sponsorship.

Yet, by way of example, across the market as a whole, in 2017 an estimated 85,000 non-EU born workers who had arrived in the previous five years were working in low-skilled jobs, making up over a quarter of recent arrivals in those jobs.²⁰² And during the Covid pandemic more key workers in the UK came from countries outside the EU than inside the EU, even though many of those jobs were below the skill and salary thresholds for the then Tier 2 sponsored work visa for workers from outside the EU.

Figure 26: Number of non-British nationals or non-UK born by key worker occupation group, 2017 to 2019, by country of birth



Source: ONS²⁰³

3. Longer-term

While they may be less likely to enter the UK labour market immediately – as they have not come to the UK specifically to work – people in some of these pools, particularly those who come as refugees or under other humanitarian routes, or to join family, may be more likely to stay in the UK longer term, and therefore swell the UK labour force over time, than those who have come to the UK specifically to work.²⁰⁴

EU freedom of movement specifically brought workers to the UK but often a temporariness to arrangements with them. More recently, the UK has seen a shift towards greater permanence in respect of those coming. Looking at 2022 versus 2019 there were:

- an 86% increase in applications for extensions of stay
- a 41% increase in applications for settlement
- a 9% increase in citizenship applications²⁰⁵

4. Less political sensitivity

Most – although not all – of these routes/pools also have the advantage of being less ‘headline’ worthy, or indeed of being associated with more positive, less controversial, headlines on migration. Thus these routes/pools are often less politically and publicly sensitive. They are therefore less likely to be subject to constant, disruptive rule changes.

The CIPD Winter 2022/23 Labour Market Outlook shows the use that employers already make of these routes/pools, as demonstrated by Figure 13.

These pools are very varied in terms of the differing opportunities and challenges for employers in practically accessing and utilising them.

EU citizens remaining in the UK under the EU Settlement Scheme (EUSS)

Figures to year end December 2022 show 7 million applications to the EUSS by an estimated 6 million people, of which 5.6 million had obtained a grant of status.²⁰⁶ Even with 15% being repeat applicants, this is a large number of EU citizens who have the right to live and work freely in the UK – many more than the UK Government thought when they made this offer. How many will choose to exercise the right in practice is unclear. The 2021 census suggests far from all of them were in the UK at that point. But that was in the midst of the pandemic so might not provide the most accurate longer-term picture.

In having the right to live and freely work in the UK, those who successfully applied through the EUSS can be employed on the same basis as UK citizens. And the recent court case, which has ruled as unlawful the Government’s approach that those with pre-settled status lose their rights if they fail to re-apply before the expiry of their pre-settled status²⁰⁷, gives those EU nationals and their (potential) employers greater certainty and comfort around their future status.

Perhaps counterintuitively, the EUSS also provided access to the UK – through two routes – for a substantial number of those born outside the EU. First: those born outside of the EU who had acquired an EU nationality before coming to the UK could apply through the EUSS just like any other EU citizen. The 2021 census showed that there were 581,027 EU nationals here – representing 15% of all EU nationals living in England and Wales – who had been born outside the EU. Second: the EUSS also allowed applications from non-EU family members of EU citizens, and 411,570 currently have the right to live in the UK through that route.²⁰⁸

Frontier workers

Aligned with the EUSS, the Frontier Worker visa allows an indefinite continuation of the right for EU citizens to commute to work in the UK post-Brexit, as long as they were doing so before Brexit. This is therefore a fairly niche route, but it is one that was used significantly in the immediate aftermath of Brexit. In the first 9 months after the ending of EU freedom of movement to the UK there were more grants – nearly 10,000 – to EEA workers under the Frontier Worker permit than there were to EEA workers under the Skilled Worker route.²⁰⁹

A key reason for its widespread use was that, within its overall parameters:

“There is plenty of flexibility within the regulations and guidance to cover a whole host of working patterns and the benefits of an unlimited renewable permit are extensive when compared to securing status under the Points Based Immigration System.”²¹⁰

The permit accommodated both those who spent very little time in the UK – to qualify those applying had only to demonstrate one period of work in the UK in the calendar year 2020 – but also those who spent a lot of time in the UK – the frontier worker only being required to return to their home country “at least once a week”.²¹¹

Youth Mobility Scheme

In 2022 the take-up of the UK’s Youth Mobility Scheme for overseas youth to come to the UK on a fixed-term basis rebounded from its pandemic-induced lull. Nearly 17,000 entered the UK through this route.²¹² The core parameters of the YMS visa are a temporary migration route which is open to:

- 18-30-year-olds
- with savings of at least £2,530
- from a limited number of countries – currently 11 – with which the UK has concluded bilateral agreements to allow in numbers up to a set annual quota
- who can come to the UK, one time, for up to 2 years (but with ability to switch into a sponsored Skilled Worker visa at the end)
- not tied to any specific job, or employer, or indeed to the requirement to work at all
- without dependants
- with cheaper application fees.

For employers, the main downside of the YMS route is that it is explicitly a temporary route. It entails turnover, with the challenges that come from a rolling roster of those with potentially limited language ability, networks or country-specific work experience.²¹³ But, on the upside, there are no skill or salary thresholds, no extra administrative burden nor need for a sponsor licence to take on staff through this route.

These young people can thus be employed in lower-skilled and lower-paid roles. While there is no reliable data on what kind of work YMS visa holders do in the UK, for some sectors such as hospitality where the temporary approach can work fine for their business model, the YMS can be an important contributor to their staff base. With the degree of flexibility given to YMS visa holders they can be expected to gravitate towards those lower-skilled roles perceived as more attractive, but the YMS can potentially assist any sectors which have rolling short-term labour needs.

Post-Brexit, the potential expansion of the YMS has been a focus of attention. The initial, July 2018, Government White Paper flagged the possibility of a UK-EU Youth Mobility Scheme modelled on the YMS.²¹⁴ Nothing has yet materialised on this. But this is an area where the UK and the EU should ultimately be able to find a workable rapprochement. If so, this could be a major additional source of temporary workers for UK employers, depending on the level of the numerical quotas agreed.

Thus far the size of the annual quotas agreed by the UK has meant that the scheme has largely been one for Australians – who as a result have generally topped the UK’s table of temporary workers²¹⁵ – and New Zealanders. It has recently been announced that for these two nationalities the YMS will be expanded to include those aged up to 35, and to extend their ability to stay from two to three years.²¹⁶

A more controversial expansion has been the admission of India into the scheme. Some have expressed concern with opening up UK jobs to hundreds of millions of young Indians.²¹⁷ But that is not what is happening. Under the initial arrangements, young Indians applying under what has been branded the ‘Young Professionals Scheme’ need at least a degree level qualification. Also, the initial ballot quota under this Indian expansion is for only 2,400 visas.²¹⁸

Despite the temporariness of the YMS, travel and temporary work schemes of this nature can ultimately boost the more permanent supply of labour. They can “put the destination on the map for (longer-term) potential migrants, allowing them to experience the local lifestyle and working environment before making a decision on whether to migrate”²¹⁹.

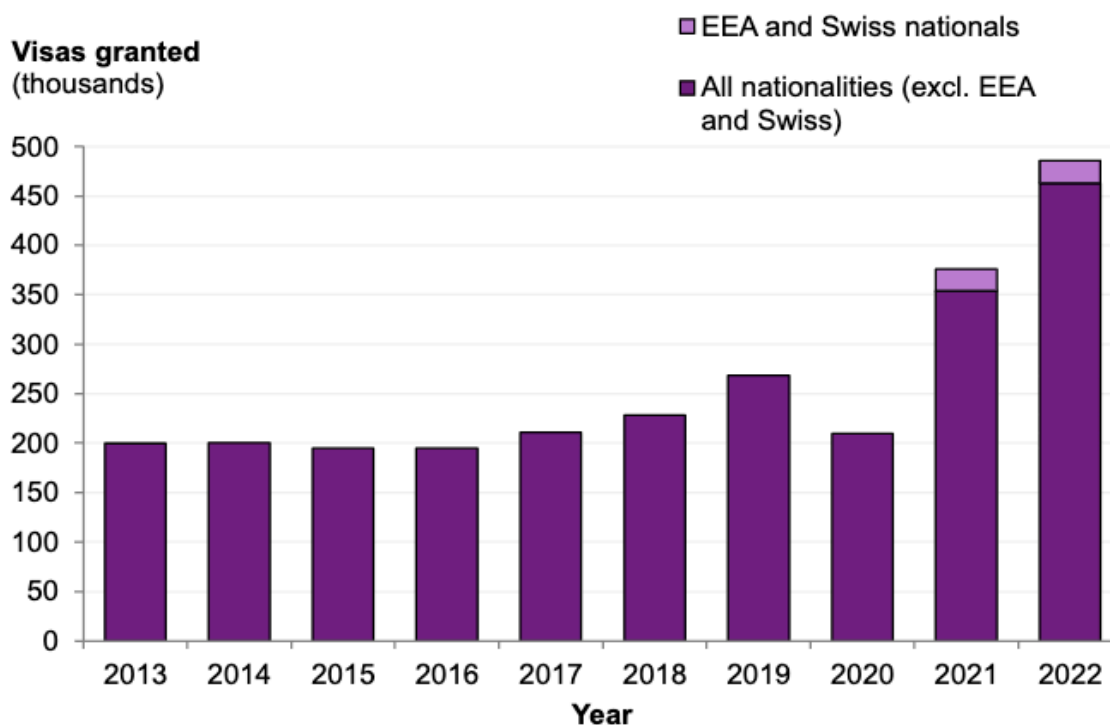
Overseas students

In 2022, 485,758 sponsored study visas were issued to main applicants in the UK, 81% more than in 2019. With nearly 140,000 sponsored study visa grants, representing over a 300% increase in that period, Indian student numbers overtook Chinese students as the largest nationality. The biggest percentage increases over the period though were of Bangladeshi and Nigerian students, with Nigerians also making up the highest proportion (51%) and number (60,923) of dependants of those on sponsored study visas.²²⁰

Can this be simply attributed to catch up post-pandemic? 2020 actually had a similar number of sponsored study visa grants as the years before 2016, although, of course, that is not necessarily the same as the numbers who actually arrived during the pandemic, with many taking their courses remotely.

Or might the increase be attributable to the fact that, unlike under EU freedom of movement, EEA nationals now appear in these figures too? Yet these numbers only account for a small fraction of the increase.

Figure 27: Sponsored study visas granted to main applicants between 2013 and 2022, by nationality grouping



Source: Home Office Immigration system statistics, year end December 2022²²¹

One caveat though is that these figures are for visas granted. Higher Education Statistics Agency data suggests that actual increases in overseas student enrolments, i.e. those actually taking up their places having been granted a visa, have been less.²²²

From an employer perspective – aside from the angle that their dependants may be able and available to work – the two main angles of interest in overseas students are that they are allowed to:

1. work while they are students – up to 20 hours a week in term-time and unlimited out of term-time,
2. remain in the UK and to work after graduation. Having been in effect suspended between 2012 and 2021, the post-study work visa is now back, rebranded as the Graduate Route. This allows unrestricted work for two years after the end of studies (three in the case of having completed a PhD or other doctoral qualification), before potentially converting to an employer sponsored role – in which case there is also an exemption from the employer having to pay the Immigration Skills Charge. 86,785 Graduate Route extensions were granted in 2022.²²³

Overseas students tend to gravitate towards more practical courses; the three most popular are business management, engineering and technology, and computing. They may be thought to be of more interest to sectors with higher-skilled roles, but this ignores the fact that students can work while they are students, and may choose to do so in lower-skilled roles.

The data from the 2021 census shows that one in three international students in the UK are in employment. And for some nationalities it is far higher – nearly three-quarters of Romanian students are recorded as working during their studies in the UK. Four of the five local authorities with the highest proportions of international students in employment are in North and East London, but some parts of the East of England and the Midlands also have particularly high proportions of working students.²²⁴

Even post-graduation, the MAC has pointed out that earnings for some overseas master's students suggest a number of them are taking lower-paying jobs.²²⁵ With the new changes to the immigration system opening up the sponsorship route for jobs which do not require a degree qualification, some appear to have been entering the UK on student visas and then switching into jobs without even taking up their student place at all²²⁶ – which might be one explanation why the numbers of student visas does not match up with the numbers actually enrolling to study. This is one of the areas that the Government now seems intent on tightening up the rules on.²²⁷

When it comes to overseas students' potential contribution in the UK labour market, the Government seems unsure whether to stick, twist or bust. On the one hand, the Government has re-opened the ability for post-study work – with an 'export strategy' targeting per year overseas students of 600,000 and education exports of £35 billion – by 2030.²²⁸ It is also reported to be considering allowing students to work longer hours during their studies to fill labour gaps. On the other hand, the Government has been alarmed at the rise in the number of dependants accompanying students and is now intent on removing the right for post-graduate international students to bring their dependants unless they are on research courses.²²⁹ Nevertheless, the labour market value and potential of this pool remains substantial.

Family routes

The numbers of dependants accompanying those coming to the UK under various legal migration routes is a core element of what can more broadly be referred to as 'migration for family reasons'. Added to these dependants are other routes falling under the heading of family-related visas, such as those to come to the UK to (re)unite with family, or to exercise rights derived through family, such as the UK ancestry visa.

While the dependant part of migration for family reasons has seen significant increases most recently, narrower family-related visas are one of the few parts of the UK immigration system that have not yet recovered to their pre-pandemic level. While over three quarters of family-related visas are issued to partners, the remainder are issued to children and other dependants who are less likely to be available to work.²³⁰

Nevertheless, over time, family routes can make available a significant potential pool of labour that is generally free to work in any role, and not subject to the skills and salary requirements and constraints inherent in the Skilled Worker visa route. An estimated 65% of working-age men and women who came to the UK primarily for family reasons were in work at the end of 2022, with many working in lower-wage occupations including social care and hospitality.²³¹

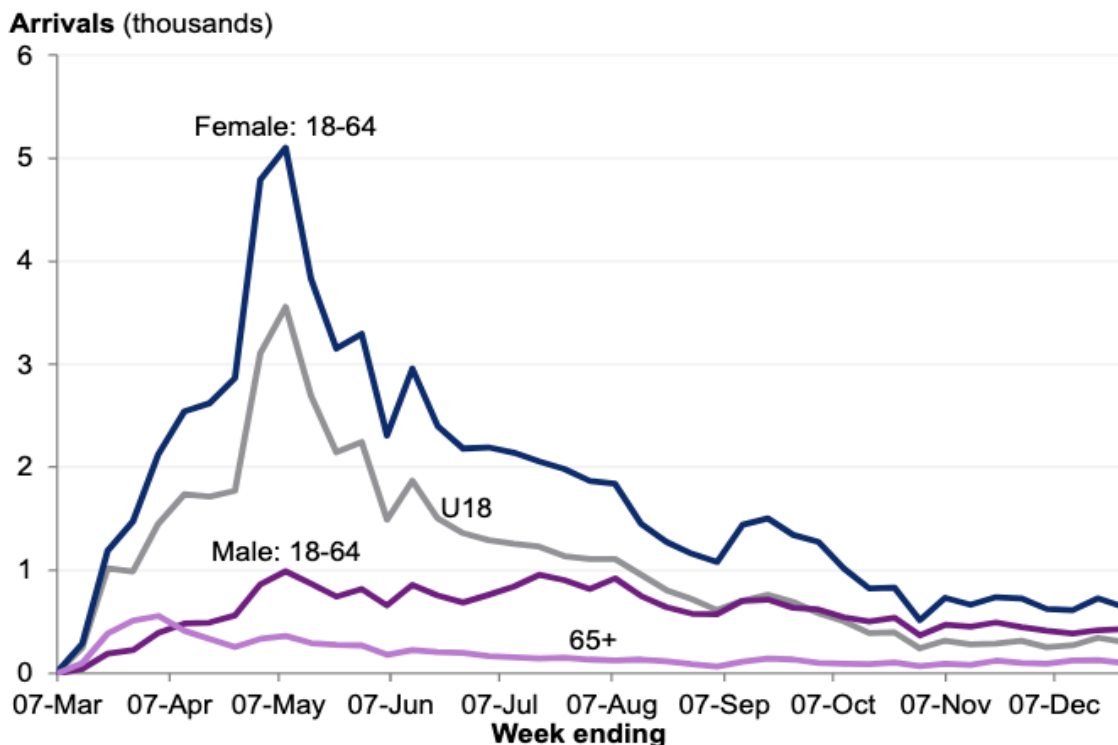
Ukrainian schemes

With the Russian invasion of Ukraine, 2022 also saw the development of a Ukraine-specific family migration route, for Ukrainian family members to come to the UK. The Ukraine Family Scheme has been one of the two main strands for Ukrainians fleeing from the Russian invasion to come to the UK. But it has been dwarfed in numbers by the other main strand, the Ukraine Sponsorship Scheme.

In 2022, 238,562 UK visas were granted to Ukrainian nationals, with 87% being in one of these two new Ukraine Scheme visa routes. By the end of 2022, over 154,500 people had arrived in the UK on one of them. As at end of March 2023, this figure stands at almost 170,000.²³²

Between them these schemes have seen people come to the UK in large numbers. Some employers have sought to engage with this new pool, but there are aspects which may make this more challenging, for some sectors in particular. Ukrainians have thus far been given only a three-year right to stay in the UK, but regardless of that it is unclear how long many will stay in practice. That uncertainty is obviously closely linked to geopolitical events. A number of Ukrainians may have already returned to their country, a number are transiting back and forth, and a number of Ukrainian families are living split existences, evidenced by the split of arrivals, with adult men only accounting for 17% of arrivals.²³³

Figure 28: Weekly number of people arriving in the UK, using a Ukraine Scheme visa for the first time



Source: Home Office Immigration system statistics²³⁴

The employment picture has been mixed. On one hand, when compared to other groups of refugees, Ukrainians seem to have fared much better in the UK in quickly finding work.²³⁵ And some sectors in particular have been able to capitalise on this. As Ukrainians had, post-Brexit and prior to the war, come to represent the largest share of temporary horticultural workers in the UK, some Ukrainian arrivals have been able to relatively swiftly integrate into that sector.²³⁶

On the other hand, Ukrainian arrivals often do not have the language capabilities or the networks needed to immediately succeed in the UK labour market. Many women who have arrived are effectively in the position of single parents with childcare duties, and simply may not have the capacity to work.

Particularly in the light of labour shortages, there is some frustration at the lack of a more centrally coordinated approach to assessing, engaging with, and productively utilising this unexpected addition to the workforce that has high levels of tertiary education.²³⁷ But recently the Government has announced extra English language and employment support for the Ukrainian cohort, designed “to boost the number of Ukrainians entering the labour market for the first time, as well as helping those already employed into higher-skilled roles”.²³⁸

How might the mix of arrivals may change over time? Might the initial inflows of more educated and mobile Ukrainians return home? Will further Ukrainians continue to arrive and might those subsequent inflows have different characteristics?

There are scenarios in which many Ukrainians return home, but also those where more men leave Ukraine to reunite with their families in the UK, further supplementing this pool.²³⁹ Inherent in the tensions between reception, integration and return are the conflicting interests to which these scenarios may give rise. Ukraine’s desire is to regain the large educated and productive population that it has lost.²⁴⁰ It will need these to reconstruct and rebuild the country. But does this match with the wishes of displaced people to settle and restart their family life where best suits them? The opportunities in countries like the UK for overseas workers to integrate into their labour force may thus be at odds with the interests of the Ukrainian state.²⁴¹

From an employer perspective, though, for now there are two significant positive features of the fact that most Ukrainians have come to the UK under the Ukraine Sponsorship Scheme (which in effect represents a huge and rapid scaling up of the UK’s approach to community sponsorship of refugees):

1. the support provided by community sponsorship is regarded as having positive outcomes in terms of labour market integration and work outcomes;²⁴²
2. as a result of the community sponsorship construct, Ukrainians have been dispersed across the UK. Local authorities have not been able to veto arrivals. Every UK local authority has at least one sponsored Ukrainian.²⁴³ This may give access to this potential labour pool to employers across the country on a more equal footing.

Hong Kong British Nationals (Overseas) visa route

Those coming to the UK from Hong Kong are similar to the Ukrainian inflow, in that geopolitical events are causing them to move. Those who have chosen to come to the UK so far under this route are more likely to be young, university educated and female than those remaining.

However, those coming from Hong Kong are also in a very different situation. The Ukrainian situation is a fluid one, and Ukrainians have thus far been given a time-limited right to stay in the UK. The Hong Kong situation is much more clear-cut, in that China's grip over Hong Kong is here to stay, and Hong Kongers acquiring a visa to come to the UK under the British Nationals (Overseas) (BN(O)) route are being given the right, and assumed more likely, to stay in the UK long-term.

Young Hong Kongers can of course also come to the UK under two of the routes already outlined – through the Youth Mobility Scheme and as overseas students. The dedicated Hong Kong BN(O) route on the other hand – open since 31 January 2021 – provides a pathway to settlement in, and citizenship of, the UK for those Hong Kongers born before Britain relinquished control of Hong Kong in 1997. This route though also provides for their dependants to come, and has been subsequently liberalised further including to allow a child of a BN(O) parent to come to the UK even if the parent does not²⁴⁴. Nearly 5.5 million Hong Kongers were eligible for this route at its outset. Initial visa costs are only one-sixth of the Skilled Worker visa.²⁴⁵

From an employer perspective, this pool has many positive attributes. The first is the numbers. Not just those who have already come under this route – although to the end of March 2023 there had been 172,500 applications, and 113,500 new arrivals in the UK under this route.²⁴⁶ – but also those yet to come but who may well do so. This is obviously subject to a large degree of uncertainty, but both the Government's own, and independent, projections suggest between 300-400,000 as the most likely range for numbers moving to the UK under this route in the first five years of the scheme.²⁴⁷

Next is the fact that the Hong Kongers arriving under this route are the subject of a significant and targeted welcoming and integration effort, supported by dedicated government funding applied at the local level.

In addition, while being able to make their own choice of where to live, and therefore not as dispersed as the Ukrainians, Hong Kongers are still relatively dispersed. Many of them have chosen to settle in areas not typically associated with new arrivals to the UK, such as the suburban areas of South-West London, the Midlands, the North-West and the South-West of England.

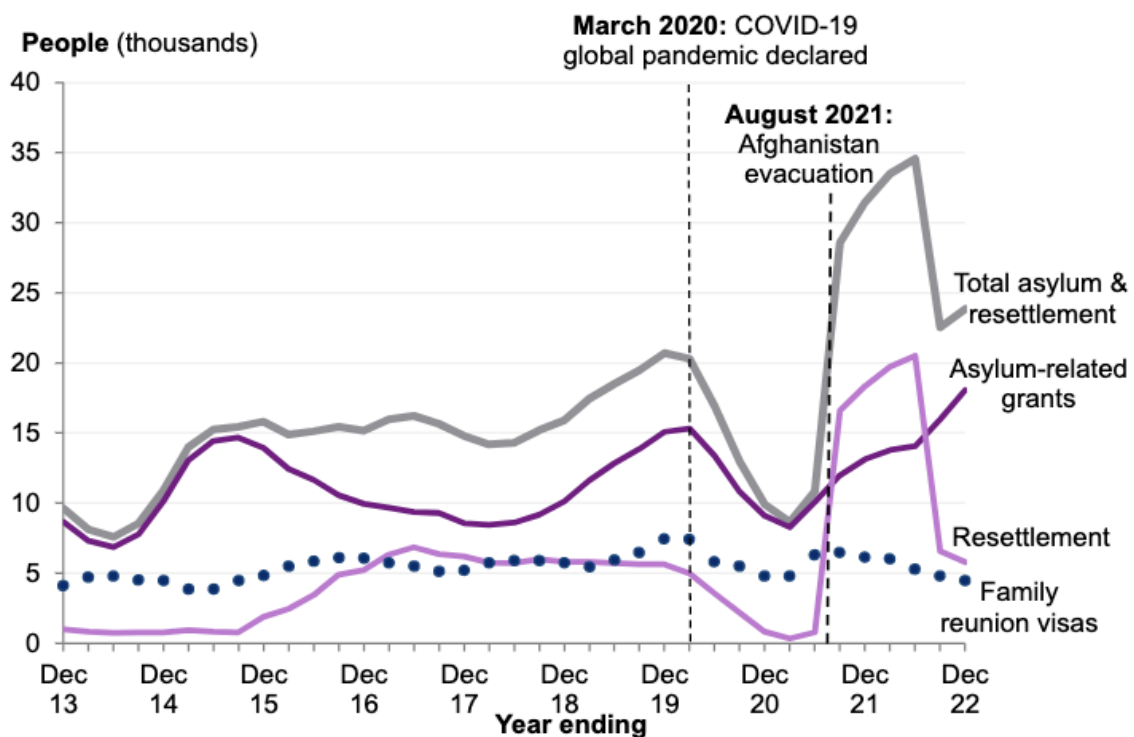
In terms of their own work expectations, 'the flexibility to work in any job without being sponsored by an employer' has been cited as the most attractive attribute of the route for those considering coming to the UK. There are large numbers of graduates and managerial/professional qualifications amongst those coming. Most are not rushing into employment, and taking the time to first settle their families in the UK. Many seem quite accepting of the fact that they may be downwardly mobile in the jobs they take in the UK, willing to work in lower skilled roles and to earn less than they did in Hong Kong.²⁴⁸

In an earlier report we suggested that – as the Hong Kong BN(O) route in effect does – allying humanitarian concerns with economic potential could be viewed as a toe in the water of a potentially much larger pond – how to think about better harnessing the economic potential of refugees in the UK more broadly.²⁴⁹

Refugees/asylum seekers

We will not re-make here the arguments in our March 2021 SMF report²⁵⁰ as to policy changes that could better capture and support the contribution that refugees could make in the UK labour market. But to reiterate that recognised refugees are free to work in the UK, and as such should not be overlooked by UK employers.

Figure 29: People granted refugee status and other protection, resettlement and family reunion visas in the UK, 2013 to 2022



Source: Home Office Immigration system statistics²⁵¹

This data understates asylum grants as it only includes grants at initial decision, not refugee status granted on appeal.

In this broader pool can be included:

In-country refugees

Notwithstanding the UK Government’s continued efforts to do all that it can to deflect, and not to hear, claims for asylum made by arrivals in the UK, such claims have more recently been received in large numbers. There were nearly 75,000 applications in 2022, the highest in 20 years. And more recently there have also been very high positive rates of asylum claimants being adjudged to be refugees – 76% in 2022, the highest grant rate since 1990.²⁵²

Resettled refugees

In 2022 5,792 refugees were resettled to the UK through formal resettlement schemes.²⁵³ Having taken off with the Syrian resettlement programme, the UK's resettlement of refugees from overseas through the UN system was first stopped in its tracks by the pandemic, then had to deal with the chaos in Afghanistan. In the period 2014-2022 though, 54,000 people were resettled or relocated to the UK through the various official resettlement routes, dominated by Syrians and Afghans.²⁵⁴

Across most developed economies, refugees' skills tend to be underutilised, their employment outcomes materially lagging those coming through other migration routes. This has also been the case in the UK.²⁵⁵

Other countries have begun to consider whether refugees might be able to help specifically address some labour shortages.²⁵⁶ Evidence from Denmark suggests that employers can play an important part in this. Those Danish municipalities which introduced so-called 'Industry Packages' between 2013 and 2018 – where language training and work-first strategies for refugees were supported by employer training and employment targeted at roles with labour shortages – saw improved utilisation and integration of refugees in the labour market, as well as help addressing labour shortages.²⁵⁷

Countries are also considering what approaches which work for refugee integration might also work more broadly. For example, in Germany the Digital Career Institute, originally established in 2016 to teach coding to refugees, subsequently made its training available to all unemployed people, not just to refugees.²⁵⁸

Asylum seekers

Here, the numbers are as large as they ever have been. The number of cases awaiting an initial decision has increased over the last 10 years, and most significantly in the last few years. As at 2022 year-end, the claims of over 160,000 people were in the queue awaiting initial decision, over three times the number at the end of 2019.

But unlike refugees who are free to work, asylum seekers only have a restricted right to work in the UK prior to their refugee claim being determined, permitted to only to do so if they are still awaiting a decision 12 months after their claim, and then only in occupations listed on the SOL.

The 'Lift the Ban' coalition²⁵⁹ is trying to liberalise these restrictions. But given its political sensitivity, the asylum seeker pool in the UK probably represents at best a catch-22 situation for employers. Even if the rules were to be liberalised, if this ever became a material source of workers this would likely elicit a political reaction similar to that which caused the Labour government under Tony Blair to increase restrictions in this area in the first place.

In the meantime though, notwithstanding these restrictions, with:

- the current size and length of the asylum backlog, combined with
- the number of different roles now on the SOL, in particular the recently added social care roles at lower-skilled RQF levels,

more asylum seekers are currently eligible to apply for permission to work in the UK than for many years, and employers employing them can do so without needing to worry about a sponsor licence, sponsorship fees or the minimum salary requirement.²⁶⁰

CHAPTER EIGHT – THINKING MORE EXPANSIVELY ABOUT IMMIGRANT WORKERS: PART 2 – THE LONGER TERM

Looking to the future

Switching perspective, from the immediate to the further out, the longer-term future, and focusing on the overlooked Quadrant D (Figure 1): how important is it that the UK thinks more expansively and pro-actively about sourcing and preparing the migrant workers its society and economy will need in the future? And how should it do that?

The labour shortages and competition for labour experienced by Global North economies in the past few years may look like the interaction of a series of one-off unfortunate events. But over the longer-term they are likely to be the shape of things to come. From the UK's perspective this is likely to mean, on one hand, fewer workers available with the skills the UK needs and wants. But, on the other hand, heightened competition from other states for those workers.

The UK enjoys some built-in advantages in such a competition. However, these advantages could be lost if the UK does not begin to coherently address the challenges and opportunities of investing in overseas skills for future use, as part of its strategic considerations about the interaction of the UK's future supply of/demand for workers. Longer-term strategic thinking of this sort may seem the polar opposite of the shorter-term reactive responses to the labour shortages that we have seen in the UK over the past few years. Yet the experience of these shortages may help to galvanise new and more serious thinking in this area.

Increasing numbers of countries around the world have undergone the demographic transition and joined the club of lower birth rates and aging populations. The result is that over the longer term, rather than prioritising constraints on migrant workers, the leading countries of the Global North will likely need to engage in an increasingly competitive, even desperate, struggle against each other to encourage and attract reducing pools of younger labour. Germany is one country that is starting to plan for this future now. It does not view EU freedom of movement as sufficient for its future worker needs. It has piloted training of nurses in Vietnam²⁶¹ and of construction workers in Kosovo.²⁶²

No one knows what the future of work will bring, in particular the interaction of technological innovation, automation and the need for workers in new sectors yet unimagined. But it seems likely that some sectors currently experiencing labour stress, from care to hospitality to construction, will still have a need for actual workers. Indeed, as demographic and structural shifts take their effect on the UK's economy and society, the need for workers may become greater, not less, in some key sectors.

In the care sector specifically, as societies age it seems inevitable that more people will need to be more cost-effectively cared for by helping them live longer in their own homes, rather than admitted to hospitals. At the same time, the world is seeing an increase in conditions such as dementia, which cannot be treated in hospital. The headline of a recent report from The Economist on the global growth of dementia was: 'The big question about dementia is who is going to do it'. The best care is 'people centred', i.e. labour intensive'. These developments will require a large increase in the supply of carers²⁶³, supported by technology. Med tech and robots will most likely support and assist care workers rather than replace them.

The future world of work will thus likely give rise to situations where the answer is not more workers or more automation, but a requirement for *both*. In addition, potential structural shifts, from developments associated with greater reshoring of supply chains, or with the creation of industrial clusters focused around new decarbonisation sectors, might well increase the UK's demand for workers.

Alongside investment in and training of the domestic workforce, some of these younger workers will need to come from overseas. Immigration is no magic bullet for the demographic challenges of an aging population,²⁶⁴ but it could help the UK's economy and society adapt to that future, and support the UK's way of life heading into it. While its less alarming demographic trajectory than many Global North countries may give the UK a little more time to adapt to this future, this also means that those other countries may be galvanised to secure a first mover advantage.

Also, it should not simply be assumed that migrant workers will always stand ready, available and willing to fill less attractive roles in the UK's economy and society. What makes a role unattractive to a local worker may also make it unattractive to a migrant worker. Sourcing the needed overseas workers for the UK will increasingly mean shaping migration strategically, sustainably, and on mutually beneficial terms with those countries from which the UK is receiving those migrant workers, making sure that the story from the perspective of those countries is ultimately of 'brain gain', not 'brain drain'. This will require the UK to develop 'global skills partnerships' with other countries.²⁶⁵

An avowedly skills-based immigration system like the UK's should not just be content – as through the employer sponsorship system – with matching UK vacancies now with overseas skills that have *already* been acquired. In that case, the UK is in effect the passive recipient of what existing skills migrant workers can bring, trusting that those with exactly the needed skills will choose at that very moment to come to work in the UK, in exactly the role the UK employer wants them for.

Instead, global skills partnerships involve a more proactive approach. First, by identifying the skills the UK will need from overseas. Then investing in, and delivering training for, the development of those skills, in their home country, *before* they come to the UK, of the potential pool of migrant workers that are going to be needed to contribute to the UK economy and society. This must be done in a way that is fair and positive not only for those workers, but also for their country of origin.

This could be achieved by helping to build capacity and expertise within that country, and to help develop skills in those sectors which can be used not only abroad but also at home in that country – a twin track approach. Such partnerships are about the potential for cooperatively locking in that labour supply for use by the UK, but in a way that can work in the mutual interest of all parties.

While the UK could lose out if it does not exploit its advantages, in many respects it does have an important head start in this challenge, including:

- the UK's unique, strong, historical and ongoing connections with the largest of the still growing populations around the world, including the reach and penetration of the English language.
- a flexible, less formal, approach to credentials than competitor countries. For instance, Germany's rigid education and technical apprenticeship standards mean that most migrant workers arriving in Germany must still undergo significant further training before they are allowed to work.
- an existing model of ethical overseas recruitment operated on a mutually beneficial cooperative basis: in health care. Of course, there are still criticisms of the UK's impact in this regard on the health services of some of the countries that it recruits from.²⁶⁶ But the UK is already arguably a leader in this area, being the first country to implement its own domestic form of the WHO Code on the international recruitment of healthcare workers, and including the care sector within this. As part of this the UK has committed to “not actively recruit from those countries the WHO recognise as having the most pressing health and care workforce-related challenges unless there is government to government agreement to support managed recruitment activities” and “to support well managed migration pathways that deliver benefits to the NHS, the health or care professionals, and the sending country.”²⁶⁷
- In the MAC, having an existing body at the heart of its labour immigration management system with a remit and expertise that could potentially be built out to support the design, development and operation of global skills partnerships.

There are of course risks in how a global skills partnership approach would be viewed by the British public. It must be framed carefully: as delivering tangible benefits to the UK in genuine areas of shortage, allowing access to an overseas workforce to provide important services the UK needs, to supplement, not supplant, the UK's domestic resources. But this should be possible. Migrant workers would be transparently entering, working and paying tax in the UK. The whole rationale for this approach could indeed create better alignment with the public's desire for a more controlled, targeted and transparent approach to immigration policy.

A whole of market approach

Such partnerships obviously require a trans-national element. They also require significant domestic coordination and collaboration of different actors across the economy and society. Including between different arms of the government and between public bodies and the private sector. Their development and operation therefore raise questions as to the dynamics and appropriate mechanisms for coordination across a range of stakeholders. It starts with: who determines, and how to determine, what skills are likely to be needed, where, when, and on what basis?

The government will need to set the regulatory parameters, but also the institutional framework and international connections that can support such partnerships on a substantial scale. But employers will clearly be key to determining what skills are needed, where, and when. In the UK's case, the process of developing global skills partnerships would further heighten the questions and sharpen the debates around the interactions of, and balances of power between, the range of different actors at different points along the spectrum, from public to private, from centralised to regional and local, who are engaged with, and have an interest in, the immigration system.

The degree of coordination and collaboration required, even just at the government level, is formidable. Multiple government departments – with responsibilities covering labour, business, foreign affairs, and development, as well as immigration and the sector which is the focus of the partnership – would all have a stake and interest in global skills partnerships. The significant informational, administrative and bureaucratic challenges arising as a result may themselves require a whole new level of infrastructure and layer of coordination, collaboration and intermediation.

Australia's experience with its overseas training in the Pacific region has shown that, even in those countries forward-looking enough to begin to innovate in this area, linking skills acquisition abroad with inward skills mobility is a complex undertaking which requires all relevant departments, as well as the private sector, to be proactively engaged with, and brought into the endeavour as partners.²⁶⁸

*“Designing a project that can successfully facilitate mobility requires thinking carefully about whom to partner with, which sectors to target, how to balance investments in training with the need to keep costs manageable, and what long-term migration opportunities to offer”.*²⁶⁹

In the development of global skills partnerships, engaging at the outset with the key target sectors involved, and the employers within them, is critical. This can ensure the best chance of success for public-private models to develop that are sustainable and can minimise bureaucratic hurdles. And that training and skills development is targeted at meeting real labour needs, which maximise positive impact not only for employers but also for the economy and society.²⁷⁰

Public and private engagement will also be needed for the development of funding structures where employers share in the funding of the training provided through global skills partnerships, potentially alongside the Government/other public sources and the migrants themselves, as the “users” of the skills developed.²⁷¹ This could include the development of financing linked to results, and the most appropriate approach to sharing the burden of costs, and providing an element of insurance where upfront investment is required.

To be willing to themselves bear some of the costs and risks of investing in global skills partnerships, employers will need to see a potential for a return on their investment, through access to a previously untapped and cost-effective source of skilled employees who are willing to stay with them over an extended period. But how can a long-term commitment best be equitably secured, and balanced, in a way that also respects both the interests of the sending countries, wary of the impact of emigration of more skilled workers, and of the migrants themselves, with the exploitation risks in being tied into particular employers?

There is an inherent tension between many employers’ wish for long-term employees and the interest of sending countries in productive circular migration. This would need to be managed through the dual track structure of a global skills partnership, meaning that the sending country gets to keep or receive back some of the skilled workers who are trained up. Visa portability between employers within the UK would also need to be allowed so that migrant workers are free to move between them, subject to employers who have financed the training being appropriately compensated.²⁷²

Employers also play an important role in migrant worker integration. In Germany, where such partnerships have been piloted, engagement with employers on integration has been two-way. Employers have helped with integration in terms of providing a clear understanding to overseas workers coming in of the norms, conditions and the broader culture within the German workplace. But also employers themselves have been recipients of integration support from the government to help them prepare for the arrival of the migrant workers.²⁷³

Global skills partnerships are by no means the answer for all sectors and roles. The idea lends itself best to mid-skilled roles with greater long-term predictability over the size and nature of the labour resources likely to be needed. This is why a number of countries’ first steps in this area have been in the health and care or construction sectors. These first steps have shown that turning global skills partnerships into reality will not be easy. It will take time and constant learning and adaptation of the model. All the reason to embark on that journey now, for there are large potential opportunities for countries that can make them work.

CHAPTER NINE – THE POLITICAL CONTEXT OF REBUILDING TRUST AND PUBLIC CONFIDENCE IN THE LABOUR IMMIGRATION SYSTEM

‘High wage, high skill, high productivity’ has been the accompanying mantra of the post-Brexit labour immigration system. It seems here to stay.

First, because, for all the inconsistency of the Government in other policy areas, in this area the Government has consistently doubled down on this message:

“We are embarking now on a change of direction that has been long overdue in the UK economy. We’re not going back to the same old broken model with low wages, low growth, low skills and low productivity, all of it enabled and assisted by uncontrolled immigration. And the answer to the present stresses and strains, which are mainly a function of growth and economic revival, is not to reach for that same old lever of uncontrolled immigration to keep wages low.

The answer is to control immigration, to allow people of talent to come to this country, but not to use immigration as an excuse for failure to invest in people, in skills, and in the equipment, the facilities, the machinery.”²⁷⁴

Second, because the same mantra has now been adopted by the opposition.²⁷⁵ Here is Keir Starmer recently delivering the very same message:

“But I want to be clear here – with my Labour Government, any movement in our points-based migration system – whether via the skilled worker route, or the shortage occupations list – will come alongside new conditions for business.

We will expect you to bring forward a clear plan to boost skills and more training, for better pay and conditions, for investment in new technology.

... our common goal must be to help the British economy off its immigration dependency to start investing more in training workers who are already here.

Migration is part of our national story ... But let me tell you – the days when low pay and cheap labour are part of the British way on growth must end.”²⁷⁶

The Shadow Immigration Minister, Stephen Kinnock, has also been singing from the same ‘high-wage, high-skills, high productivity’ hymn sheet, using the familiar symbolism that immigration has become a crutch for some business sectors, undermining investment and productivity. He has said that the current points-based system is not fit for purpose, not because it is too restrictive, but because it is not restrictive enough. In his view dispensing with the Resident Labour Market Test, combined with the wide parameters for roles which can qualify for a skilled worker visa, does not appropriately balance the need to invest in and train up homegrown talent. This is all framed by the suggestion that, under a Labour government, employers will need to accept more of a quid pro quo in order for them to be allowed a sponsor licence to access and use overseas labour.²⁷⁷ Indeed, as we noted in our previous SMF immigration report, it is quite possible that a Labour government’s policy approach on immigration for work could see fewer, not more, overseas workers eligible to come to the UK.²⁷⁸

Third, because these views all seem to chime closely with the evolution of the MAC's worldview, as outlined earlier, in terms of the appropriate approach to the determination and utilisation of the Shortage Occupation List. This is not to suggest that the MAC and its role will necessarily be immune from reform under a Labour government. But it currently seems unlikely that any such reform would make the MAC's output more, rather than less, weighted towards employer interests.

So, if the Government, the opposition and the MAC are now all singing the same tune, from the same high-wage, high-skills, high productivity hymn sheet, what should the response be from employers? Putting their fingers in their ears and simply carry on singing their own tune?

In the debate around the shape of the post-Brexit labour immigration system, in fighting their corner it is understandable that business and sector lobbies were focused on defending their respective positions and the EU freedom of movement system from which many had benefitted. But, in being perceived to have been the biggest winner from a system, but unwilling or unable to significantly engage with public concerns about the stresses and strains caused by that system at the local level, business became ever more closely associated with the increasing animosity aroused by that system in certain locales of the country and certain sections of society.²⁷⁹

This, from a local migration panel that the think tank IPPR – which favours more open immigration – held in Corby, Northamptonshire in 2018:

“Action is needed that sends a clear sign that employers who are responsible and understand the implications of a migration-dependent business model are willing to contribute to managing the impacts of that migration. This would help local people feel more secure that the benefits and costs of migration are being fairly distributed, and that they are a beneficiary of migration and not relegated only to passively absorbing its impacts ...

We heard how businesses employed migrants to make greater profits, but those profits were siphoned out of the Corby economy rather than being reinvested or spread around. This contributed to people's sense that they were getting the 'raw end of the deal' when it came to migration.”²⁸⁰

At the same time business was being painted by the MAC as exhibiting tunnel vision; narrow, self-absorbed and self-serving in seeking to maintain a system from which business had been the primary beneficiary, without doing enough to be seen to share those benefits. The MAC said:

“in making recommendations about migration policy, the objective is to maximise the total welfare of the resident population, whilst considering that impacts may differ across regions, occupations or sectors. This overall objective focuses on how migration affects the lives of individuals, a perspective we think important. Some discussion of immigration mentions the impacts of immigration on business, the economy or specific sectors. We consider that this risks confusing ends and means in that a thriving economy is important for the consequences it has for peoples' lives rather than being an end in itself.”²⁸¹

On the face of it, the longer-term track record of business' advocacy efforts around labour immigration policy in the UK seems poor. Against what should have been a benignly supportive backdrop of a succession of pro-market governments, the business lobby's ability to influence immigration policy appeared instead dramatically diminished in the 2010s. The more open immigration policy from which business in general had significantly benefited was impacted by a series of unfortunate events which business seemed powerless to influence, including the:

- introduction of the net migration target
- introduction of the cap on Tier 2 visa numbers
- decision to hold the EU referendum
- outcome of the EU referendum
- decision to end EU freedom of movement for work in the UK following the result of the EU referendum.

To offset this gloomy perspective though, it is important to remember the overarching glass half-full context for business when it comes to immigration. Notwithstanding the picture just painted here, the experience of UK immigration policy tells us that the impression one gets may be some way removed from the reality. What British politicians say, what they do, and what are the outcomes of this, may well not turn out to be anything like as aligned as they are presented.

Freeman's clientelist theory argues that Global North states, dependent on immigrant labour in practice, deliberately run a far more open approach to labour immigration than advertised in their stated policies to voters, in order to placate business interests and serve the state's ends.²⁸² Whether or not you subscribe to this theory, it is hard to escape the impression that, in almost all time-periods since World War Two, the outcome of the UK immigration system in reality has been that the UK has allowed significantly more leeway for its employers to use overseas workers than may have been implied by the headline political soundbites around immigration policy. That could certainly be argued to be also the case right now, under the post-Brexit labour immigration system.

During the vast majority of those periods, this happened without labour immigration becoming a highly salient issue amongst politicians and the voting public. That could also be argued to be the case now, at least in terms of labour immigration (asylum may be a different matter). Underlying this is arguably a substantial amount of common ground around labour immigration; broad acceptance of the fact that, regardless of investment in local training and skills, a significant contribution will still clearly be required from overseas workers in areas of need in the UK's economy and society.

Perhaps most importantly though, notwithstanding the often contrasting and adversarial rhetoric of political and business leaders, as a whole employers in fact seem relatively aligned with the way that mainstream politicians and the public are pointing. Look again at Figure 6 from the CIPD Labour Market Outlook Winter 2022-23. What are employers' planned responses for hard-to-fill vacancies? While some employers are looking to hiring more overseas nationals, twice as many are targeting the top three responses, which are:

1. upskilling existing staff,
2. raising wages,
3. improving job quality.

So, while there are challenges for business advocacy, which should be acknowledged and faced up to, there are also opportunities for business to engage differently, to seek to allay the (mis)perception that its approach to labour shortages and skills gaps is narrowly self-serving and short-termist, with immigration as always the 'same old lever' that it reaches for first. That simply does not seem to be the case.

If business cannot successfully present itself to politicians and the public as part of the solution, it will always risk being portrayed as part of the problem; as the self-interested pantomime villain. There is an opportunity instead for business to reframe its role, and asks, as part of a more holistic approach, a shared solution to common challenges. For employers to:

- better engage with the political and policy reality,
- position themselves more on the front foot as part of the solution,
- positively contribute to policy development, not just be the beneficiaries of it,
- acknowledge that the outcome must be seen to work better for multiple stakeholders within society,
- while also appropriately articulating and representing business' interests.

Business can help to reset the debate in this regard, and, by doing so, help itself. Volunteering to give up a little, or to contribute a little more, may be the best strategy for business to secure a whole lot more. This requires more inclusively and imaginatively articulating and positioning the negative impact of labour shortages, as well as the positive impacts of labour immigration. And placing this within a broader whole, the case for labour immigration presented as supplementing, not supplanting, what the UK domestically already has, or realistically could have available over the medium term with the appropriate collaboration and investment to build the skills and capacity of the local workforce. Government and business must work together in the long-term interests of the economy, building public confidence instead of creating tension and lurching from crisis to crisis.

CHAPTER TEN – HOW CAN THIS BEST BE ACHIEVED?

The four key dimensions of joined-up policy

This report has documented the various ways in which immigration policy is disjointed: with a lack of shared direction between government, employers and the public, and short-term reactive measures dominating. What is needed instead is engagement along four different dimensions of joined up policy – four building blocks:

1. Joined-up labour force utilisation
2. Joined-up labour force planning
3. Joined-up labour force protection
4. Presenting the joined-up benefits of labour immigration

1. Joined-up labour force utilisation

To be publicly and politically acceptable, business' utilisation of the immigration system must be connected to broader measures to expand the workforce. The (mis)perception that overseas labour is employers' lever of first resort must be addressed. Instead, the key is to find ways to ensure, and just as importantly to demonstrate, that migrant labour is an important *supplement to*, rather than cheap *substitute for*, domestic resources. That means taking visible steps to:

- Invest in training, upskilling and reskilling of new, but also existing, workforce.
- Address underutilisation of resources and skills.
- Reduce unemployment, including under-represented groups in the local workforce, eg. ex-offenders.
- Increase the number of economically active individuals within the existing population.
- Reduce underemployment.
- Extend working life.

Underutilisation of resources would include a focus on questions like: if a role is utilising women at only 1% of its workforce, should access to overseas labour to fill shortages in that role be coupled with a requirement to more pro-actively investigate and engage with whether, and ways that, the conditions and structure of the role could be made more practically attractive to women?

Pro-actively engaging with questions such as this would allow business to rebut the presumption that it is ignoring these issues and areas for improvement, but also that it is business alone that is necessarily itself entirely to blame for this situation. It would also help head off any assumption that there are any easy fixes available to address these issues or that, even if they were all addressed, this would be a silver bullet which would mean that the need for immigrant labour would simply fall away.

Instead, this could help frame business' needs for immigrant labour as a component part of how it operates in, and the wider obligations it owes to, society. Business can outline the support that it in turn needs from others in most effectively addressing these options. It makes business' problem everyone's problem, and therefore business can be part of a solution from which everyone can benefit.

In this context, as set out in Chapter Seven, it is particularly important that employers fully engage with the work opportunities and skills brought by those coming to the UK outside of the sponsored Skilled Worker visa. This would not only allow business to gain beneficial understanding and experience of the broader resources available to it through these other routes. It would also help to fill some of the workforce gaps in the UK in a lower profile way without having to publicly push against the boundaries of the formal labour immigration system. But business also needs support in connecting to and understanding the potential of new pools of available labour, particularly where there are larger inflows through bespoke government schemes such as the Ukrainian and Hong Kong schemes. The EU is aiming to do this in respect of the former through its EU Talent Pool Pilot.

2. Joined-up labour force planning

For a period, EU freedom of movement provided the backdrop for workers to come to the UK in such numbers that it allowed many employers the luxury of a just-in-time, hand-to-mouth existence. They did not need to be too concerned about strategic workforce planning and capacity and capability to manage hiring and development of staff. That period has now ended.

Properly situating labour immigration policy requires conceiving of labour immigration not as a discrete standalone policy lever, but as part of an always evolving, multi-faceted policy mix to address labour market challenges across time in a joined-up fashion. This includes fundamental structural strategic considerations around:

- the impact of innovation and automation developments in sectors,
- the shifting pattern of decline in some industries and some (parts of) sectors, and the birth and evolution of new ones,
- the need to keep the workforce pool as broad, as engaged and as effective as possible,
- the effect of demographic developments both in the UK and overseas, and the impact of those on the relative supply and demand for overseas-born workers in the UK, not just in terms of numbers but also the roles required to be filled and those willing and available to fill them.

It is an important quid pro quo for immigration asks being politically and publicly acceptable that business proactively engage in longer-term workforce planning between key stakeholders – employers, workers and government – to develop workable, strategic resourcing solutions for each key sector of the economy and society. But it is also important to acknowledge that business cannot do this alone. In fact business needs a government with the stability of personnel and purpose to be willing to engage in long-term conversations about education, skills building and resourcing.

The MAC, in its 2022 annual report, said:

“It is disappointing that there is a lack of joined-up thinking across Government, in cooperation with the private sector, on how to proactively manage and address shortages in the labour market. There is no coherent, overarching strategy for skills and employment that draws on public and private sector actors to facilitate a robust skills infrastructure, enable employers to improve pay and conditions and automate where appropriate, and encourage inactive workers into employment. The ongoing volatility in the policy landscape and focus – including, notably, the dissolution in May 2022 of the Skills and Productivity Board – is an obstacle to long-term planning by both the private sector and the Government ... further education colleges, in conjunction with the private sector, are likely to play a pivotal role in the future supply of workers in RQF 1-2 occupations.”²⁸³

As set out in Chapter Five there are pitfalls as well as opportunities here. It is not as simple as just linking the Shortage Occupation List to the training system through an independent skills body. In light of the complexities around a truly evidence-based compilation and composition of the SOL, making that link would still run the risk of giving the wrong answer. This does not necessarily mean though that it should not be tried, but rather that the challenges and uncertainties should be acknowledged, so that the output can be framed and applied accordingly.

This means engaging with potential labour supply challenges both in the UK and overseas. In terms of utilisation of migrant workers, business must present itself, and be perceived, not as a passive beneficiary, but as a pro-active contributor to the development and utilisation of skills. Where shortages are being filled through international recruitment that means engaging in what active workforce measures can be taken, or contributed to, in the UK which could address the longer-term cause of those shortages.

This might also help to highlight where others could do the same. The Government berates business for its failure to invest in local skills and training. But what about the NHS, the biggest user of foreign-trained migrants? That is an area in which the Government, not business, controls the investment in skills and training. The Government berates business for its failure to raise wages at the lower end, but what about the Government’s approach to pay in social care?

Joined-up labour force planning should also include considerations around business’ contribution to broader integration of overseas workers. When Theresa May was Prime Minister, the government’s tone was that those who benefitted most from immigrant workers should take more responsibility for assisting their integration. Thus the then government publicly encouraged business to consider its “wider role in promoting integration to help build strong, integrated communities, promoting the English language skills of employees, and encouraging mixed environments”²⁸⁴. In this, the then Government saw business’ and society’s interests as aligned.

Again though, integration is not as straightforward as it may appear from the outside. Business engaging with this issue could therefore also help to highlight where the hurdles are. It could inform and reset others' sometimes unrealistic expectations of what employers can reasonably be expected to do and achieve in this area.

Under freedom of movement there were no English language requirements to be able to work in the UK. One of the key hurdles to English language training in the workplace was that the Adult Education Budget funding model does not allow funding of such training in the workplace, and many employers were unwilling to pay for this themselves for just a small number of staff.

At the Battersea Power Station site in London, however, where there were a number of different employers recruiting overseas labour at the same time to various roles, the Battersea Academy for Skills & Employment²⁸⁵ was able to act as an intermediary in establishing and convening English language training at scale, able to aggregate demand on behalf of a number of participating employers onsite. Employers could then in turn use this as a selling point to seek to attract further workers to the site. Obviously, this was a very particular context, but it is an example of the sorts of innovative collaborations that are possible.

In terms of what is needed further out in time, business should proactively engage with, and contribute to, the emerging thinking on how global skills partnerships can best be targeted, structured, and operationalised for the UK's advantage, as well as positioned with the public. For both its own interests, and for the best chances of success of such partnerships, business must be, and must be seen to be, a key, active participant in and contributor to this endeavour.

Further, being clearly invested in developing workable longer-term, strategic solutions in certain sectors could make business' advocacy for shorter-term fixes along the way much more politically and publicly acceptable. In this sense business' engagement with longer term planning is important not just for the longer term, but for the chances of getting buy-in for the short-term dispensations that employers may need along the way.

3. Joined-up labour force protection

Through its actions, business needs to refute the suggestion that it is only intent on taking advantage of the benefit of overseas labour for the sole benefit of its bottom line. Business needs to address head-on the argument that more open labour immigration fuels exploitative labour practices that are damaging to both migrant and locally born workers.

In terms of wages at the lower end of the pay scale, business may need to consider how its lobbying approach is perceived, and whether it may wish to recalibrate what might be in its best long-term interest. In a country where, over the medium-term, the prevailing story is one of lower-end wage growth stagnating, minimum wage compliance is poor, and labour market enforcement versus labour exploitation has remained light touch, the relentless focus of business' advocacy on the pursuit of the lowest possible salary threshold for employing overseas workers in the UK can appear particularly self-absorbed and obtuse to others' concerns.

Trust in the employer sponsorship system is founded on the premise that “only ‘responsible’ or ‘trusted’ employers are allowed to use the system, and that they do so in return for specific commitments to follow approved procedures and employment practices.”²⁸⁶ If politicians are worried about unscrupulous employers exploiting migrant workers²⁸⁷, scrupulous employers ought to be worried about that too, and welcome the opportunity to allay concerns that employers using overseas labour are not always meeting standards of fair pay for fair work and decent conditions. The evidence suggests that this is the case, that most employers want to follow the rules and ensure that others do likewise so as to ensure a level playing field.²⁸⁸

While it might therefore seem counterintuitive for business to volunteer to be subject to more stringent labour market regulation and enforcement around fair treatment of workers and the practical application of workers’ rights, for employers who have nothing to fear, a better resourced, more unified and joined-up labour inspection regime may bring some broader benefits. Evidence from other countries in Europe with more robust labour inspection and enforcement regimes is that the existence and operation of such regimes can be supportive of improved public acceptance that labour immigration is adequately regulated and supplementing the local workforce, rather than simply being used to undercut it at lower wages or worse conditions.²⁸⁹

Labour market enforcement has an additional important public perception aspect which helps support the case for more open labour immigration. That is that improvements in this area accrue to the benefit of *all* workers – both local as well as those from overseas. Supply chain compliance is also increasingly an area of focus²⁹⁰ and tension. Increasingly rulemakers are taking the view that it is not good enough for companies to just behave themselves, they also need to pay attention to what their suppliers are doing. All the more reason for employers to pro-actively engage with this area, to make sure that any obligations imposed on them are sufficiently balanced and practicable.

Finally, as a mirror to the stick of enforcement there is the carrot of voluntary codes such as the Mayor of London’s Good Work Standard²⁹¹. These could also provide an important mechanism by which employers can more publicly demonstrate a willingness to adopt and apply fairer approaches in employment practices and relations, which again are applied across their workforce, not just to immigrant labour.

4. Presenting the joined-up benefits of labour immigration

Business could do more to build support for labour immigration by helping to highlight both the direct and indirect contribution that immigrants bring to the resident population at the local level in the UK. This is the level where people are often most concerned about the perceived more negative aspects of immigration, and where perceived impacts may be most keenly felt.

There is a precedent for this in the United States. There, championed by business leaders and metro mayors, there has been an effort to gather and compute immigration data more holistically, from many different angles. This is not just a data initiative. It is a way of reconceiving immigrants’ participation in and contribution to communities. Rather than seeing immigrants purely as workers, they are also presented in the data as consumers, as employers, as business owners, and as taxpayers.

The New American Economy website – now merged with the American Immigration Council – publishes, in public, interactive form, various numbers from the national, down through the state, to the county, to the metro area, to the district level.²⁹² Taking Texas at the state level as an example²⁹³, this includes some immigration data that one might typically expect – number of immigrants in the state, percentage of immigrants as share of the state’s population, gender breakdown. But it also includes a lot of immigration data one is not used to seeing at all in the UK context. This additional data presents immigrants as interacting at many levels with their host society, including:

- immigrant spending power
- immigrant taxes paid
- number proficient in English
- number of local born with at least one immigrant parent
- number of immigrant entrepreneurs
- total business income of immigrant entrepreneurs
- share of STEM workers who are immigrants
- share of healthcare staff who are immigrants
- rent paid by immigrants
- economic contribution of international students
- refugee spending power, total business income and number of entrepreneurs

Unsurprisingly, in Texas some of these numbers are large. Immigrant spending power \$122.6 billion (around £98 billion), and immigrant taxes paid \$38.4 billion (around £30.7 billion). None of this data is going to put at rest the minds of those deadset against certain aspects of immigration. But it may help to reframe the way that some think about labour immigration. As importantly, it can also be used to support a more balanced, joined up, framing of immigration statistics, which could also help to make clearer the trade-offs inherent in the management of immigration. For instance, data showing that immigration had reduced could be presented alongside data showing that taxes paid by immigrants had also reduced.

What might the impact be if business leaders and metro mayors in the UK took the lead in offering resources to seek to emulate at least some elements of this approach, or at least to consider and brainstorm the feasibility of the collection and presentation of information of this sort? To offer up a more holistic case for more open labour immigration policies from the perspective of what they contribute to society and communities, rather than just what is good for business or industry sectors.

A more open, trusted labour immigration system

With these building blocks put in place to support and secure the operation of a high skill, high wage, low exploitation labour market, the Government should then, within those parameters, have more trust in how business will approach the use of immigrant labour. This should allow it to be more open to developing a more flexible and open labour immigration system. What might that entail?

1. Salary alone should set the threshold of skills

One of the key issues which has emerged as a result of the structure of the UK's post-Brexit labour immigration system, and move away from freedom of movement to a skills-based system, is whether the UK system adopts the right approach to how it defines and assesses skills. Perhaps a more fundamental question – also raised in a recent analysis of the Australian system²⁹⁴ – is whether it is necessary for hiring of overseas workers to separately be subject to a skills-based threshold as well as a salary-based threshold, or if salary is itself not only a sufficient, but indeed the best, indicator of the skills that the economy most needs and values.

On top of the salary threshold, the UK's post-Brexit labour immigration system imposes a skill requirement, based on the ONS skill classifications. This is determined by education level and length of training required, rather than by any perception of the role's social utility or some other metric by which skills might be valued. Perhaps most importantly, unlike the salary level which is in the control of the employer – if the employer really wants to employ the overseas worker they can respond and decide to meet the required salary level – the skill level for each specific role is, as far as the labour immigration system is concerned, immutable, set in stone.

As a result, there are numerous examples where employers have been willing to pay overseas workers over and above the salary threshold, but still unable to sponsor them under the Skilled Worker system. The HGV driver shortage was an example of this phenomenon; employers were willing to meet the salary threshold but could not sponsor new drivers as the job was not classified by the immigration system as a skilled occupation.

The MAC's most recent annual report set out that in some of the lowest paid sectors such as horticulture and food packaging, employers are willing to pay increased salaries to meet the threshold for inclusion on the Shortage Occupation List. But they too are faced with the hard block of the skills threshold. In the horticulture sector, there is the Seasonal Worker scheme for employers to fall back on. But that has the drawback that workers brought in under that route can only stay for six months. Whereas, under a Skilled Worker visa they could be hired and properly integrated into and engaged in the business longer term.²⁹⁵

The MAC's intervention over the labour shortages in social care was also in effect based on this premise. That (notwithstanding the complications in some parts of that sector by wage levels not being freely set but rather a result of constrained public funding) there were employers willing to raise pay levels to meet the SOL required salary level, but who again could do nothing about the skills classification of the roles in shortage. In this case the shortage was considered significantly pressing and impactful on broader society that the MAC were able to convince the Government to make an exception for key 'lower-skilled' care roles. But that would not have been necessary had the only requirement been a salary threshold.

Is there therefore a case for the salary threshold to be maintained, but the skill threshold dropped? In that case would the MAC consider that such a change would then require a revisiting of the appropriate salary threshold? Such a system would in effect set the most basic of parameters – minimum salary level – but one that all employers can in theory meet should they wish. Skills are in effect then judged not by a person's qualifications and specialism, but rather by what employers are willing to pay them for those skills.

Such an approach would be less interventionist and more flexible in adapting to fill labour shortages. If shortages were sufficiently material, employers would have the choice to be able to pay higher wages to fill the shortage. In effect "it puts the market, rather than bureaucrats or politicians, in charge of the selection process, and selects those with the highest direct impact on productivity, as measured by salary".²⁹⁶ It would simplify the sponsorship process and provide greater certainty for both firms and workers.

Managing labour immigration eligibility through salary level would also in effect allow for differential regional approaches across the UK in 'lower-skilled' roles, while keeping the clarity and certainty of one central rule set. It would allow businesses in areas of the country experiencing particular labour shortages to be able to access overseas labour provided that they were willing to pay salaries at or above the required minimum salary threshold.

This is in effect what the Scottish Government did to attract social care workers. And it is the very opposite of the approach which proposes that regions with particular shortages should be able to pay lower salaries to seek to fill them, an approach which the MAC has continually criticised on the basis that it "would serve to institutionalise regional inequalities across the UK".²⁹⁷

2. Targeted cost reduction

It is easy, and understandable, to rail against the costs of the sponsorship – licensing, application, and admission – process when these are so substantial – both in absolute terms, but also relative to almost every other major economy. But simply pointing this out and complaining thus far seems to have achieved little.

To make a coherent case for these costs to be reduced, one should start by looking at them from the other end of the telescope. To understand the nature of the costs challenge, and have the best chance of addressing it, first requires considering the rationale for the existence of such substantial costs in the overall context and design of the UK's labour immigration system. There could be argued to be four core justifications for their structure and size:

- **Funding:** The UK Treasury's decision that administration and operation of the UK's immigration and asylum system should be self-funding, i.e. the costs of running the system should be met by the fees charged for its services.
- **Control:** if the other potential controls available – a cap on numbers through the sponsorship route, a higher salary threshold, a higher skills threshold, a Resident Labour Market Test – have all now been rolled away, what is now the incentive for employers to hire local labour/disincentive for employers to hire overseas labour? It is the high costs of bringing in overseas labour. In making local labour comparatively cheaper to hire, particularly in lower paying occupations, the sponsorship system costs incentivise employers to give due consideration to whether, and why, they really need to hire a worker from overseas. The MAC has argued that:

“If the government has an objective of reducing demand for overseas skilled workers, high immigration costs are arguably a more efficient method of reducing demand than a cap since they effectively act as a tax, paid by those who derive most value from hiring migrants.”²⁹⁸

- **Compliance:** the orderly operation of the sponsorship system is reliant on employers taking their compliance and oversight responsibilities seriously. Setting a high level of costs in the system might be thought to be an effective way of dissuading those employers from sponsoring overseas workers who do not have the capabilities, capacity and intention to take those responsibilities seriously.
- **High wage economy:** While the cost of the sponsorship licence and the Immigration Skills Charge to be paid by the employer are weighted by size, other costs of the system are neither weighted in this way nor tied to the level of wage being paid. As a result:

“Immigration costs... make up a larger share of total labour costs for firms employing lower wage workers... The new immigration system seeks to create a high wage economy, and higher salary workers paying proportionally less than lower salary workers could positively influence the type of migrants coming to work in the UK.”²⁹⁹

Any case for reduction of costs in the system therefore needs to seek to address these points. But it also stands to reason that if these points can be satisfactorily addressed through other means then the case for higher costs should fall away.

In terms of the first point – the way that the operation of the immigration system is funded – that is beyond the scope of this report. But while this position is the current status quo, it is by no means set in stone. It is a political decision which could be changed. There is no reason why it has to be this way, nor does it necessarily make sense for it to be so.

In terms of the other rationales for high costs – control, compliance and the ambition of a high wage economy – the core of these concerns can be addressed through the first three building blocks set out above: i.e. joined-up labour force utilisation, joined-up labour force planning, and joined-up labour force protection. With these building blocks in place, the case for a reduction of costs then becomes so much more compelling.

While a convincing argument could then be made for a reduction of cost across the board, a more targeted approach could also focus attention on those situations where the case for cost reduction is strongest.

One angle of doing so would be by reference to the role. Particularly if, going forward, admission of roles to the SOL is only going to be allowed where the salary threshold requires wage ambition on the part of employers, with no discount any longer being allowed against the going rate of the occupation. In that case there is then an argument that the dispensation which having a role on the SOL provides should shift instead to allowing lower cost for roles on the SOL. This dispensation already applies to the costs of the visa, but not to the Immigration Skills Charge or the Immigration Health Surcharge.

Another angle would be by reference to the salary and/or employer. Having the costs of the visas themselves and the certificate of sponsorship variable with salary and/or employer size would help to mitigate the disproportionate costs effect for SMEs seeking to utilise the system for roles at the lower wage end of what is allowed by the system, which could potentially have a beneficial impact in sectors such as social care.

For public sector employers there may also be a case for differential treatment on costs. As the MAC has argued in the context of publicly funded health and care with regard to the Immigration Skills Charge:

“it seems illogical to charge the Immigration Skills Charge to public sector bodies or those meeting public sector needs and thus simply shifting funds across Government. We recommend the removal of the Immigration Skills Charge for all Health & Care Worker visas.”³⁰⁰

Indeed, the MAC has suggested that:

“it would be useful to conduct a full review of the Immigration Skills Charge across the entire Skilled Worker route, which was introduced some years ago and there have been substantial changes in immigration policy and its objectives since that time.”³⁰¹

The Immigration Skills Charge is in fact an area where business has a strong interest in making a very clear demand; challenging the status quo and changing the message.

3. Immigration Skills Charge: 'use it or lose it'

The Immigration Skills Charge (ISC) is *in theory* one of the few examples of joined-up labour force planning; the proceeds of a charge paid by employers to hire immigrant workers today are meant to be used to fund the training of the local workforce of tomorrow (the ISC is separate to the Treasury's cost recovery structure). But *in practice* the outcome of the ISC does not appear at all joined-up, through no fault of business. In this respect business is not failing in its obligations to broader society; it is business that is being failed.

It is right for business to seek to ensure that the costs levied on it through the employer sponsorship system are reasonable and proportionate, and the ISC may seem ripe for revisiting. Not least because, since Brexit, as the ISC is now applied to all overseas workers hired through the sponsorship system, the revenue raised through it has substantially increased: from £91.3 million in 2017-18 to £349.1 million for 2021-22.³⁰²

Business' approach to the ISC though seems caught between two stools, in effect giving it the worst of all worlds. They grudgingly pay the ISC, but they do so without effectively holding the government to account for how the proceeds raised by the ISC are actually being spent, and whether they are being used for their intended purpose of providing for skills training for the domestic workforce.

The outcome has been that business has seen its ISC bill materially increase, paying hundreds of millions of pounds to the government, but without there being any transparency as to how this money is being spent. In addition, business receives no public credit for all of this revenue available for training which it has in effect paid for. This is a poor outcome for business, but also for society as a whole.

Instead, the demand should be that government should either use the ISC proceeds for their proper purpose, and publicise the fact that the proceeds are being tangibly and transparently invested into the local skills base, rather than disappearing into a general all-purpose blackhole, or it should lose the ISC, i.e. the ISC should be dropped.

For its part businesses should:

- (1) actively publicise the fact that they pay the charge,
- (2) actively publicise that the charge is meant to fund domestic skills/training,
- (3) highlight the annual amount of the proceeds raised through the charge,
- (4) use this to hold the government to account for how the proceeds of the ISC are used in practice.

Framed in this way, counterintuitively there are risks as to how it would be perceived if the ISC were to be removed. Would business, seen as the big winner from labour immigration, then look like it is now winning even bigger, no longer willing to even pay a charge designed to be invested in the development of local skills as a quid pro quo for being allowed to hire immigrant labour?

On the flipside, the Government and business should stop squandering the opportunity embedded in the ISC to (re)build public trust. The ISC should be highlighted as a very structured way for publicly sharing the gains that businesses are seen as having from immigration, with those who do not see themselves as having gained from immigration.

In this way, a reformed approach to approaching and communicating about the ISC could help business publicly present itself not as the profiteering selfish big winner from labour immigration, but as a more selfless sharer of the spoils with many of those who see themselves as the losers from this, and as the funder of local skills investment which is seeking to close the domestic skills gap.

Bolstering greater public support for labour immigration on this balanced basis would be good not just for business, but also for government, indeed for all actors with an interest in ensuring the workings of labour immigration system are both better understood and more strongly rooted in public consent.

4. Efficiency/bureaucracy of the system

Feedback from employers received for this report was clear that they regard the UK sponsorship system more favourably in comparison with other countries' systems, from the perspective of speed and ease of use. But only because those other systems are even worse. While the costs of the UK system are clearly a key issue for employers, the responses to the CIPD Labour Market Survey make it clear that both the administrative burden and the overall time taken to hire through the sponsorship route are also as much of a hurdle to employers considering whether to hire through the sponsorship route.

Timing is clearly fundamental. Once employers make a decision to hire their chosen candidate, they do not want any unnecessary delay. They see it as unfair to have to pay extra for a priority treatment to achieve what they would view as normal treatment; an efficient process. In this context it is not surprising that what employers view as worst is a built-in delay as standard. Hence why many employers would see a reinstatement of the Resident Labour Market Test requirement as such a step backwards in terms of the overall sponsorship process.

Yet the reinstatement of the RLMT has been mentioned as a possibility by the Shadow Immigration Minister.³⁰³ This is a useful reminder to business that, while business may view the RLMT as the epitome of an annoying, delaying, administrative requirement, for others it may represent an important control. One that makes employers think twice about whether they really need to reach out to an immigrant worker rather than a domestic one.

If the argument is that, as with costs, at least part of the rationale of the inefficiencies and bureaucracy of the employer sponsorship system is that “throwing sand in the wheels of the recruitment process may be a deliberate strategy to make employers think twice about hiring workers from overseas into less skilled jobs”³⁰⁴, the rationale for more fundamental reform in this area would likewise in effect be the same as that for the reduction of costs.

That, as with costs, if the concerns that the ‘sand in the wheels’ approach is meant to address are instead dealt with by the first three building blocks set out above, then the primary metric for the bureaucracy of the system should then be efficiency, not delay. For it makes sense, once you have achieved your aims by other means, to then optimise the workings of the system to reduce waiting times and remove the barriers faced by employers and employees in navigating the Skilled Worker visa system, with the system incorporating any and all relevant technological enhancements and advancements so to make it as efficient and user friendly as possible.

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