



PENNINGTONS
S O L I C I T O R S

EXTRACTS FROM THE MOST RECENT MIGRATION ADVISORY COMMITTEE (MAC) REPORTS PREPARED TO SUPPORT RESPONSES TO THE UKBA CONSULTATION ON LIMITS ON NON-EU MIGRATION

RELEVANT EXTRACTS FROM:

MIGRATION ADVISORY COMMITTEE - ANALYSIS OF THE POINTS BASED SYSTEM TIER 2 AND DEPENDANTS – AUGUST 2009

Full report available at:

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/pbsanalysis-09/>

"The net balance of non-EU immigrants coming to the UK for work purposes in recent years has been negative: in order words, the UK sends more people abroad to work than come to the UK. This important point is usually missed in public debates about immigration." (p 58).

"Ruhs (2008) argues that there is a general economic case for selecting predominately highly skilled immigrants and admitting the low skilled only in exceptional cases for selected occupations or industries. This general preference for skilled immigrants is mainly due to three factors:

- skilled immigrants are more likely to compliment the skills and capital of existing residents;
- the net fiscal impact of immigration is more likely to be positive in the case of skilled immigrants;
- potential long-term growth effects and spillover benefits are more likely to arise from skilled immigration." (p 66)."

"We remained mindful of the 'lump of labour' fallacy. Applied to immigration, this fallacy is the assumption that there exists a fixed number of jobs and, therefore, more immigrants will cause one-to-one displacement of the resident workforce. This is not the case, partly because immigrants will themselves create demands for goods and services, and therefore create jobs." (p 70).

"The evidence we have reviewed.....suggests that inflows are likely to decline in the short term, even without policy change. The Tier 2 route is demand driven and employer led: immigrants coming through this route must have a sponsor and a valid certificate of sponsorship. As such, it should work in such a way that flows are responsive to the UK's economic circumstances." (p 70)

(Regarding intra company transfers) "We have received more evidence from stakeholders on this route of Tier 2 than any other. The overwhelming majority told us that the abolition of this route would have a negative impact on their business. There was a general consensus that the intra company transfer route is an essential part of global mobility policies designed to support international business, trade and investment. We were told that this route facilitates the operation and growth of multi-national organisations, which in turn leads to the creation of UK jobs." (p 103)

"A leading management consultancy surveyed its clients on our behalf, approximately two-thirds of whom reported that closure of the intra company transfer route would cause major disruption in terms of reorganisation of business and transfer of training to outside the UK." (p 103)

"The ability to bring in relevant knowledge and experience from overseas, despite the downturn, is vital, according to the CBI. Company-specific knowledge and knowledge transfers, both into and out of the UK, were cited as an important reason for employing non-EEA staff. UK Trade and Investment (UKTI) told us that, among other purposes, *"the [intra company transfer] route also provides entry to the UK for what are 'global jobs', which a company may decide to locate in the UK in support of a specific project. These are not UK jobs taken by migrant workers."* (p 103)

"Many offices of multinational companies operating in the UK function as the headquarters for the EMEA (Europe, Middle East and Africa regions). For these companies, we were told, it is extremely important to be able to bring in international assignees." (p 104).

"In its evidence to us, the Japanese Embassy quoted a January 2008 survey of ten Japanese companies conducted by the then Department for Business, Enterprise and Regulatory Reform. This found that, for every Japanese national employed by these firms, an average of 73 non-Japanese nationals were employed by these companies in the UK." (p 105).

"...if the Government wishes to make evidence-based policy decisions in this area, consideration should be given to whether existing sources such as the LFS and PBS management information could be better designed than at present to gather such information." (p 145)

"There are very limited data on dependants of PBS migrants, their labour market outcomes, and their impacts on the labour market outcomes of others. However, a significant proportion of dependants are skilled, and in work. On the basis of the limited information we have, there is not sufficient reason to conclude that greater restrictions on working rights for dependants would lead to improved outcomes- either for UK workers or for the UK economy. It is notable that the stakeholder evidence we received on this issue almost universally supported the ability of dependants to work." (p 150)

"The economic and labour market contribution of dependants is an issue we will be happy to examine in more detail over a longer period of time, if the Government wishes us to do so. The Department for Communities and Local Government commented that at present there is insufficient robust evidence to quantify the economic contribution of dependants, and suggested.....future research." (p 150).

"We have not been asked to make policy recommendations on the economic contribution of dependants. But, on the basis of the limited information we have, there is not sufficient reason to conclude that greater restrictions on working rights for dependants would lead to improved outcomes – either for UK workers or for the UK economy. However, we

emphasise that these are extremely tentative conclusions, due to the very limited data on dependants of PBS immigrants, their labour market outcomes, and their impacts on the labour market outcomes of the resident workers. This is an area that is ripe for further data, collection and research." (p 153)

"Throughout this report, we have identified the areas where further research and analysis may be justified. Some potential topics are as follows...

- A review of the UK and international literature examining how labour markets and immigration policies can be designed to create employee and employer incentives to aid their practical enforcement.
- An analysis of the importance of the right for spouses to work full time and access public services in the UK as a 'pull factor' for students and highly skilled workers.
- An analysis of the options for developing a more comprehensive framework for considering the economic impact of immigrants and their dependants, including an assessment of how to address a serious lack of data currently available on the issue." (p 154)

RELEVANT EXTRACTS FROM:

THE MIGRATION ADVISORY COMMITTEE - ANALYSIS OF THE POINTS BASED SYSTEM TIER 1 - DECEMBER 2009

Full report available at:

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/pbsanalysis-09/>

"We believe that there is a clear economic case for selective highly skilled immigration into the UK. Any arbitrary restrictions could prove detrimental to ensuring that the UK is best placed to emerge successfully from recession." (p 7).

"Tier 1 was explicitly introduced as a highly skilled Tier, with the aim of boosting the UK's economy by attracting 'brightest and best' as workers or business people." (p 14).

"As we discussed in MAC (2009a), there is a growing body of evidence which addresses the impact of immigrants on resident workers in the labour market. The balance of empirical evidence suggests that the impacts of immigration on wages and employment of UK-born workers tends to be small (Reed and Lattore, 2009; Lemos and Portes, 2008)." (p 51).

"Dustmann *et al.* (2008) examine the effect of immigration along the wage distribution. They find the overall effect to be small and positive." (p 51).

"...the UKBA rationale for Tier 1 of the PBS is to attract and retain people who will increase the skills and knowledge base of the UK by widening the pool of highly skilled individuals available to employers, as well as encouraging entrepreneurs and investors to settle in the UK." (p 59).

"Ruhs (2008) argues that there is a general economic case for selecting predominately highly skilled immigrants and admitting the low skilled only in exceptional cases for selected occupations or industries. This general preference for skilled immigrants is mainly due to three factors:

- skilled immigrants are more likely to compliment the skills and capital of existing residents;
- the net fiscal impact of immigration is more likely to be positive in the case of skilled immigrants;
- potential long-term growth effects and spillover benefits are more likely to arise from skilled immigration." (p 59)

"A Study by Ben-Gad (2007)...also finds that skilled immigration is more beneficial than unskilled immigration due to existing capital-skill complementarities in the receiving country. Highly skilled immigrants were found to substantially increase the rate of return to native owned capital. This welfare benefit was furthermore found to be approximately ten times greater than the equivalent benefit generated by the same number of unskilled immigrants." (p 60).

"Rowthorn (2008)...argues that highly skilled immigrants are likely to make a larger net fiscal contribution than the low-skilled immigrants. This greater net contribution is a combined result of the higher tax contributions and the smaller welfare benefits which can be expected from highly skilled immigrants." (p 60).

"It is thought that skilled immigrants can contribute to greater economic growth by improving long-term allocative efficiency and promoting innovation, both of which can boost total factor productivity. Economic theory suggests that the positive impacts of the increased innovation resulting from technical knowledge transfer, increased trade and the acquisition of country-specific knowledge enable UK firms to operate better in foreign markets." (p 60).

"...as well as increasing the absolute number of workers and the associated human capital, highly skilled immigration can also enhance the rate of creation of jobs." (p 61).

"The United Nations Development Programme *Human Development Report* (UNDP, 2009) argues that immigration can also benefit the developing countries from which the immigrants originate. This benefit can take the form of remittances sent home to family members that are then spent in the wider economy, therefore creating local jobs." (p 61).

"We remained mindful of the 'lump of labour' fallacy. Applied to immigration, this fallacy is the assumption that there exists a fixed number of jobs and, therefore, more immigrants will cause one-to-one displacement of the resident workforce. This is not the case, partly because immigrants will themselves create demands for goods and services, and therefore create jobs." (p 65)

"We consider highly skilled immigrants to be of great value to the UK economy. This has been heavily underlined by the stakeholder evidence we received."

"Successful research will need to address issues of data availability in many of the relevant areas, either through development of new data collection methods or better collection and collation of data through existing means such as the Labour Force Survey and PBS management information." (p146)

Nichola Carter
 Penningtons Solicitors LLP
 26 August 2010