1. Introduction

1.1. In July 2017, the Government commissioned the Migration Advisory Committee (MAC) to advise on the economic and social impacts of the UK’s exit from the European Union and also on how the UK’s immigration system should be aligned with a modern industrial strategy.

1.2. This call for evidence is accompanied by a note outlining some preliminary analysis of the UK labour market and other countries’ migration systems to kick-start the call for evidence. The note does not make any policy recommendations or provide any conclusions. It asks questions rather than answers them. We welcome comments and feedback on any of the issues raised, as well as responses to the wider call for evidence.

1.3. This call for evidence identifies the sort of information that the MAC will find most helpful to receive during the initial phase of its consideration of the government’s commission, and details of how to submit your evidence.

2. Call for Evidence

2.1. This call for evidence seeks views and evidence from anyone with relevant knowledge, expertise or experience to help inform the MAC response. We strongly welcome views from a wide range of interested parties from all parts of the UK (e.g. businesses, employers, recruiters, trade unions, academics, think tanks, representative bodies, government departments, etc). Please respond to questions that are relevant to your expertise; we do not expect respondents to answer every single question.

2.2. The questions outlined below provide a general indication of the information the MAC would find most useful, but respondents may provide the MAC with other relevant information. Responses should be evidence-based and where possible should provide data and/or examples to support your answers.

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1 The commissioning letter from the Home Secretary and the MAC’s response can be found here: https://www.gov.uk/government/news/migration-advisory-committee-mac-commissioned-by-government
EEA Migration Trends

- Please provide evidence on the characteristics (e.g. types of jobs migrants perform; skill levels, etc) of EEA migrants in your particular sector/local area/region. How do these differ from UK workers? And from non-EEA workers?

- To what extent are EEA migrants seasonal; part-time; agency-workers; temporary; short-term assignments; intra-company transfers; self-employed? What information do you have on their skill levels? To what extent do these differ from UK workers and non-EEA workers?

- Are there any relevant sources of evidence, beyond the usual range of official statistics, that would allow the MAC to get a more detailed view of the current patterns of EEA migration, especially over the last year?

- Have the patterns of EEA migration changed over time? What evidence do you have showing your employment of EEA migrants since 2000? And after the Brexit referendum? Are these trends different for UK workers and non-EEA workers?

- Have you conducted any analysis on the future trends of EEA migration, in particular in the absence of immigration controls?

- Have you made any assessment of the impact of a possible reduction in the availability of EEA migrants (whether occurring naturally or through policy) as part of your workforce? What impact would a reduction in EEA migration have on your sector/local area/region? How will your business/sector/area/region cope? Would the impacts be different if reductions in migration took place amongst non-EEA migrants? Have you made any contingency plans?

Recruitment Practices, Training & Skills

- Please provide evidence on the methods of recruitment used to employ EEA migrants. Do these methods differ from those used to employ UK and non-EEA workers? What impact does this have on UK workers? Have these methods changed following the Brexit referendum?

- Do recruitment practices differ by skill-type and occupation?

- What are the advantages and disadvantages of employing EEA workers? Have these changed following the Brexit referendum result?
• To what extent has EEA and non-EEA migration affected the skills and training of the UK workers?

• How involved are universities and training providers in ensuring that the UK workforce has the skills needed to fill key roles/roles in high demand in your sector? Do you have plans to increase this involvement in the future?

• How well aware are you of current UK migration policies for non-EEA migrants? If new immigration policies restrict the numbers of low-skilled migrants who can come to work in the UK, which forms of migration into low-skilled work should be prioritised? For example, the current shortage occupation list² applies to high skilled occupations; do you think this should be expanded to cover lower skill levels?

Economic, Social and Fiscal Impacts

• What are the economic, social and fiscal costs and benefits of EEA migration to the UK economy? What are the impacts of EEA migrants on the labour market, prices, public services, net fiscal impacts (e.g. taxes paid by migrants; benefits they receive), productivity, investment, innovation and general competitiveness of UK industry?

• Do these differ from the impact of non-EEA migrants?

• Do these impacts differ at national, regional or local level?

• Do these impacts vary by sector and occupation?

• Do these impacts vary by skill level (high-skilled, medium-skilled, and low-skilled workers)?

3. Submitting Evidence to the MAC

3.1. Please send your responses to the MAC Secretariat at:

   Email: MAC@homeoffice.gsi.gov.uk

______________________________

Migration Advisory Committee
2nd Floor
Peel Building
2 Marsham Street
London
SW1P 4DF

Telephone: 020 7035 1764

Please submit your evidence by 27 October 2017.

Please note that we will publish your response on our website. We may also quote the evidence received, attributed to the individual or organisation that supplied it, in our published report. If you think your response contains confidential information, we would consider not publishing it. The MAC is, however, subject to the Freedom of Information (FOI) Act and we would assess confidentiality accordingly to the FOI rules on exemptions.

3.2. Clarification questions on the call for evidence can be sent to the MAC Secretariat by 12 September 2017. The MAC will publish answers to these by 29 September 2017.

3.3. The MAC Secretariat will be arranging meetings and visits with stakeholders during the call for evidence period. We will also host open sessions for interested parties in different parts of the UK – details of which will be published on our website. If you would like to meet with the MAC, please get in touch using the contact details above.
1. Introduction

1.1. Since its inception, the Migration Advisory Committee (MAC) has provided independent, authoritative, evidence-based advice on migration-related issues, and we are delighted to be given the opportunity to contribute to the debate through the recently published commission on EEA Migration and the Industrial Strategy.\(^1\)

1.2. The main purpose of this note is to provide some preliminary analysis of the UK labour market and other countries’ migration systems to kick-start the call for evidence. The note does not make any policy recommendations nor provide any conclusions. It asks questions rather than answers them. We welcome comments and feedback on any of the issues raised, as well as responses to the wider call for evidence.

1.3. This note only discusses work-related migration. Most EEA migrants in the UK report coming for work, but there are some who come for family reasons or to study. Although we do not discuss these flows in this note, they are part of the wider commission.

1.4. This note first describes the traditional MAC approach to making recommendations about migration policy based on maximising the “total welfare of the resident population”.\(^2\) It makes the point that, because the impact of different types of migrants is likely to be different, such an approach is likely to lead to a policy that seeks to select migrants. The third section describes the implication of economic theory for the types of migrants that might be favoured under such a policy. The fourth section outlines some of the criteria that might be used to select migrants and provides a brief overview of the current employment of EEA migrants (considering occupation, industry, region, age and self-employment). Finally, the paper briefly discusses some of the methods used internationally to manage migration and where possible, it reflects on the bureaucratic burdens associated with immigration controls as different methods are likely to have different impacts.

2. Our Approach

2.1. In making recommendations about migration policy, the MAC has generally assumed that the objective is to maximise the “total welfare of the resident population”, whilst considering that impacts may differ across regions, occupations

\(^{1}\)https://www.gov.uk/government/publications/commissioning-letter-to-the-migration-advisory-committee

\(^{2}\)Welfare is interpreted to include not just labour market effects but also consider wider economic and social impacts (see Low Skill report).
or sectors\(^3\). This overall objective focuses on the welfare of people and on how migration affects the lives of individuals. This focus on people is important; statements are often made about how immigration is good or bad for business, the economy or specific sectors. At best, these statements are a convenient shorthand but they do risk confusing ends and means – a thriving business sector is important for the consequences it has for people’s lives.

2.2. Both theory and evidence suggest that different types of immigrants have different impacts on the welfare of residents. This means that there are good reasons for residents of a country to want to control the number and/or type of immigrants who enter. With “Free-Movement” however, the decision to migrate rests solely with the migrant and residents have no say in who comes and in what numbers. Of course, free movement does allow UK citizens the freedom to migrate to other EU countries, but since 2004 the flows have been asymmetric.

2.3. The prospect of not having “free movement” does not make the UK unusual. Countries outside the EU set their own immigration policy, and none of them unilaterally give freedom of movement to the citizens of other countries. For example, Canada, a country often perceived as being relatively open to migrants, has no free movement agreement with any other country. The few bilateral agreements that do exist (e.g. between Australia and New Zealand) are between similar countries. The UK has a longer history of “free movement” arrangements than most countries, with the Republic of Ireland (assumed to continue post-Brexit) and from Commonwealth countries prior to the 1962 Commonwealth Immigrants Act.

3. **Economic theory and the impact of different types of migrants**

3.1. The migration economics literature provides a conceptual framework for thinking about the impact of migrants of different skill levels on the labour market opportunities of the resident population. The key concept in this theoretical framework is whether a migrant is a *complement* or a *substitute* to residents. Migrants are thought to be complementary if they raise the productivity of resident workers by working with them, enabling them to be more productive and raising demand for their labour. On the other hand, if migrants are substitutes, they can be used instead of resident workers thereby reducing the demand for resident labour.

3.2. The economic literature suggests that migrants are more likely to have beneficial economic effects when they have different skills from the resident population. This

might be interpreted to mean that it is more desirable to have migrants in sectors or occupations where there is a shortage of resident workers (as is done through the current Shortage Occupation List), where it is hard to recruit resident workers (which might be the case in some low-skilled occupations) and less beneficial to have migrants with similar skills to the resident population. These arguments suggest that there might be a case for admitting migrants of different skill levels, although a more thorough assessment is needed.

3.3. There is considerable controversy about the existence and magnitude of the impacts of migration on the labour market. The literature reviewed in previous MAC reports suggests that migration is associated with wage growth for natives at the top of the income distribution but wage decreases at the bottom end of the distribution. However, most estimates of the labour market and economic impact of migration are “rather modest”⁴. More analysis is needed to update and refine this research.

3.4. Migration influences the welfare of the resident population more broadly than just the impact on the labour market. For example, migrants provide benefits to consumers if their presence in the labour market leads to lower prices or greater availability of some goods and services. However, migrants also consume goods and services, possibly leading to increased prices in some cases or increased congestion in others. The evidence reviewed by the MAC suggests that the “impact of migration on prices is minute” (see Migrants in Low-Skilled Work, MAC, 2014: 6), but again, more research in this area would be helpful.

3.5. Migrants may also provide benefits to residents if they pay more in taxes than they receive in benefits and consume in public services i.e. if their net fiscal contribution is positive. Studies of the overall contribution of migrants to the public finances tend to focus on the net contribution of migrants as a whole and typically find fairly small effects (see OECD⁵, Dustmann-Frattini⁶), though all studies warn of the sensitivity of their results to changes in the underlying assumptions.

3.6. The Office for Budget Responsibility (OBR) has produced forecasts of the impact of different migration scenarios on the public finances, most recently in the March 2016 Economic and Fiscal Outlook⁷. The OBR bases its forecast for the public finances on the population projections produced by the Office for National Statistics (ONS). Taken at face value, this suggests that lower net inward migration would weaken the public finances over a five-year horizon, essentially because the ONS projected that inward migrants were more likely to be of working age than the native population. Based on an assessment of the available empirical evidence (reported in Annex A of the 2013 Fiscal Sustainability Report), the OBR assumed that net inward migrants would have broadly the same age and gender specific characteristics on average as the native population, with the same employment rates, productivity and net contributions to the public finances. The OBR recognised that this assumption might no longer be reasonable if changes in migration policy affected the composition, as well as the total number of migrants. The analysis also assumed that central government spending on public services,

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⁶ http://www.cream-migration.org/files/FiscalEJ.pdf
⁷ http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-march-2016/
grants and capital spending would be the same in cash terms under each migration scenario. The OBR takes a different approach in its long-term projections, with age and gender-specific spending held constant as a share of GDP, so that higher net inward migration is assumed to be accompanied by higher cash spending.

3.7. There will be significant variation in the net fiscal contribution of different types of migrants, just as there is for resident population, and this means that the mix of the migrant flow is likely to be as important as the total numbers in determining the impact on the public finances. Being in work is an important determinant of whether the net fiscal contribution of a migrant is positive. The employment rate for working-age EEA migrants is higher at 80% than for natives (75%) or non-EEA migrants (67%), but not all EEA migrants in work are highly-paid and those with higher earnings also typically have a higher net fiscal contribution. For example, the top 1% of all taxpayers pay over a quarter of total income tax revenue\(^8\) and HMT distributional analysis suggests that the level of household income at which taxes come to exceed benefits is around the 70th percentile\(^9\). More analysis is needed to understand the contribution of different types of migrants to the public finances.

3.8. One important way in which migration may alter the state of the public finances is by off-setting to some extent the ageing of the population, which affects all European and Asian OECD economies. An OBR study concluded that higher net migration would reduce pressure on aggregate government debt over a 50 year period, as incoming migrants are more likely to be of working-age than the general population thus reducing the dependency ratio. The OBR estimates that the UK’s dependency ratio by 2060 would be 10% lower under a high migration scenario compared to a zero net migration scenario. But migrants themselves age, ultimately adding to the age-related pressures facing public services. This suggests that migration merely delays fiscal challenges rather than resolving them unless there is continued migration\(^10\).

3.9. It is sometimes argued\(^11\) that migrants in general, but high-skilled migrants in particular, lead to greater entrepreneurial activity, trade, innovation and, ultimately, productivity growth, benefitting residents. Providing conclusive evidence for these effects is difficult, but if they do exist they will be a large benefit from migration. On the other hand, access to a large supply of migrant labour may provide little incentive for employers to make production more capital-intensive, thus lowering productivity growth. More evidence on these issues would be very helpful.


4. A brief overview of EEA migration post 2004

4.1. The majority of the statistics used in this note come from the Labour Force Survey (LFS)\(^\text{12}\), which enables representative and robust analysis of the labour market. The LFS is a representative sample of UK permanent residents (i.e. it excludes visitors and those living in non-communal accommodation)\(^\text{13}\). This sample frame might exclude some migrants\(^\text{14}\), which may be more important in some sectors or occupations, but it remains the best overall data source at our disposal.

4.2. In what follows, and in line with previous MAC reports, we use **country-of-birth** to define **migrants as those not born** in the UK. In contrast, some recent ONS publications\(^\text{15}\) have argued it is preferable to use nationality. Neither measure is perfect and the use of one over the other depends on the purpose for which the statistics are being used. Individuals have only one country of birth while they might have multiple nationalities (and our data sources typically record only one) and individuals might also be eligible for nationalities they do not currently hold. However some foreign-born individuals will be eligible for British citizenship from birth in which case they would not be subject to any migration controls and it may be misleading to categorise them as migrants. In the rest of this note, we exclude Irish-born from our EEA-born migrant definition, as it is assumed that the Common Travel Area will continue between the UK and Ireland.

4.3. The number and share of EEA migrants in employment in the UK has increased significantly since 2004, with the share more than trebling and the numbers increasing almost four-fold, see chart 1.

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\(^{12}\) For the purpose of this note, we have aggregated 4 quarters of LFS data to derive the data for the year. The Annual Population Survey was not used as it does not contain salary weights.


\(^{14}\) An ONS study found that Household Reference Persons (HRP) born outside the UK are more difficult to contact. Several other factors often associated with migrants are also associated with the HRP being more difficult to contact, e.g. young, single, living in private rented accommodation and in London. For more information see: http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/method-quality/specific/labour-market/labour-market-statistics/volume-1---2011.pdf and http://webarchive.nationalarchives.gov.uk/20160105231310/http://www.ons.gov.uk/ons/guide-method/method-quality/specific/labour-market/articles-and-reports/non-response-weights-for-the-uk-labour-force-survey.pdf

\(^{15}\) https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/migrationandthelabourmarketuk/2016
4.4. The LFS is not suitable for analysing the flow of migrants – the best (though far from perfect) data source is the ONS International Passenger Survey. The ONS only publishes data on the “flow” of migrants for EU citizens (i.e. it includes Irish nationals and does not take into consideration country of birth), so it is not strictly comparable to the data presented above. Chart 2 shows that the number of EU migrants\textsuperscript{16} coming to the UK was relatively stable between 2007 and 2012 (running at around 150,000-200,000 per annum) but peaked in 2015, reaching 269,000 in the 12 months to December 2015. The more recent data suggest a decline in the inflow of EU to 250,000 (Year Ending December 2016). Emigration on the other hand peaked during the 2008 financial crisis and has been relatively stable since but began increasing once again in the last year from 86,000 in the year ending December 2015 to 117,000 in the year ending December 2016. The increase in emigration has been largely driven by an increase in the number of A8 nationals leaving the country. As a result, net migration of EU nationals is 133,000 in the most recent period (YE December 2016) compared to a peak of 184,000 in the 12 months to December 2016.

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\textsuperscript{16} The data is taken from the ONS International Passenger Survey estimates of Long-term migration into and out of the UK and covers the calendar years to December. It represents EU citizens only as constituted in the relevant time period.
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\textbf{Chart 2: Immigration, Emigration and Net Migration, EU nationals (2004-2016)}

\begin{figure}
\includegraphics[width=\textwidth]{chart2}
\caption{Immigration, Emigration and Net Migration, EU nationals (2004-2016)}
\end{figure}

\begin{table}
\centering
\begin{tabular}{|c|c|}
\hline
\textbf{Migration (thousands)} &  \\
\hline
2004 & 0  \\
2005 & 50  \\
2006 & 100  \\
2007 & 150  \\
2008 & 200  \\
2009 & 250  \\
2010 & 300  \\
2011 & 250  \\
2012 & 200  \\
2013 & 150  \\
2014 & 100  \\
2015 & 50  \\
2016 & 0  \\
\hline
\end{tabular}
\end{table}

Source: ONS LTIM data

4.6. It is important to distinguish between “stocks” (i.e. EEA migrants already residing in the UK) and “flows” (i.e. migrants who have not yet moved to the UK), but some of the discussion in recent months fails to do so.

4.7. The current UK Government offer suggests that EEA citizens already in the UK will have the right to stay, implying there might be little change (other things being equal) in the stock of EEA migrants in the UK, even if the flow is severely restricted. However, the stock is also influenced by the outflow of migrants and there is some indication in the latest figures of a rise in the outflow of EU citizens (see chart 2). This is possibly because the UK is perceived as becoming a less welcoming place to stay, but also perhaps because the economic changes in the UK (such as the devaluation of the pound) make it a less attractive destination relative to other EEA countries.

\textsuperscript{17} The data is taken from the ONS International Passenger Survey estimates of Long-term migration into and out of the UK and covers the calendar years to December. It represents EU citizens only as constituted in the relevant time period.
4.8. The current UK work-related migration system for non-EEA citizens has a clear preference for higher-skilled workers\textsuperscript{18}. Those admitted through the work route have to be in graduate-level occupations (NQF6) and meet minimum salary thresholds. In addition, salary is one of the factors used to determine priority in the event that the cap is met (though in practice that only happened for a few months in 2015). Over time, there has been a trend in UK migration policy towards targeting higher-skilled migrants represented by an increase to the skill-level required for Tier 2 (General) applications (from NQF3 to NQF6), restricting Tier 1, post-study work routes and increasing salary thresholds (to £30,000 in 2017).

4.9. Chart 3 shows the skill mix of recent migrants, defined as migrants who reported coming to the UK in the survey year or the year before. Recent changes to non-EEA migration policy seem to have resulted in an increase in the proportion of non-EEA migrants coming to work in high-skilled occupations\textsuperscript{19}. In 2016, 43% (or around 50,000) of all non-EEA migrants who arrived in either 2016 or 2015 were working in high-skilled occupations, the proportion of EEA migrants was 20% (around 40,000 people). The share of new EEA migrants coming to work in high-skilled occupations has remained broadly constant over time, whilst the share of new non-EEA migrants in high-skilled occupations has increased since 2004.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{chart3.png}
\caption{Chart 3: Share of recent RoW-born and EEA migrants in NQF6+ occupations by year of arrival, various LFS years}
\end{figure}

Notes: This chart uses the “cameyr” variable in each LFS year to look at the skill levels of migrants arriving in that and the previous year. The “cameyr” variable asks respondents for the first year in which they arrived in the UK so it may not account for migrants who might have lived abroad and return to the UK.

Source: LFS 2004-2016

\textsuperscript{18} The analysis excludes Ireland from the EEA nationals, as it is assumed the Common Travel Area will continue between the UK and Ireland.

\textsuperscript{19} Defined here as NQF6 or above occupations.
4.10. Currently, the UK migration system does not have an explicit work route for lower-skilled workers from outside the EEA, because the view has been taken that free movement ensures a sufficient supply from within the EEA. It is important to understand that occupations below NQF6 cover a very wide range of occupations, from jobs that are traditionally thought of as unskilled to jobs that require a considerable level of training. These differences in skill levels might be important because a shortage of unskilled workers in a particular sector might reasonably be resolved by recruiting from other sectors within the domestic labour market, while a shortage of workers in an occupation that requires considerable training might only be resolvable in the short-term by the use of migrant labour.

**Box 1: Defining Skills**

For the purpose of this note, we differentiate between three different skill levels: high-skilled occupations (NQF 6 or above); medium-skilled occupations (NQF 3 and 4); low-skilled occupations (NQF 2 or below) as originally defined in the Home Office “Code of Practice for Skilled Workers”. This is a simplification as there are important overlaps between qualifications and occupations skills. Nonetheless, it is a useful way of consistently organising the data.

4.11. Chart 4 shows the skills distribution by occupation of the stock of migrants in work in 2004 and 2016, in three broad groups (see box 1). In 2016, 35% non-EEA migrants were in high-skilled jobs, compared to 24% of EEA migrants and 29% of UK-born. EEA migrants are more likely to be in low-skilled work and the proportion of EEA migrants in low-skilled occupations has increased over time, from 42% in 2004 to 49% in 2016, the only group to experience an increase in the share of low-skilled
5. Possible criteria for selecting migrants

5.1. As previously emphasised, work-related migration policy is likely to involve the selection of migrants. This section reviews a number of possible criteria that might be used to select migrants: occupation, age, sector or region. It also discusses the self-employed and sources of working migrants through non-work routes.

Occupation-based schemes

5.2. The current main work route for non-EEA migrants (Tier 2 General) is based on occupation. As mentioned above, T2 General T2(G) is only open to high-skilled occupations skilled to NQF6\textsuperscript{20} level or above. All job offers have to satisfy a minimum salary requirement, set at either £30,000 from April 2017, (the 25th percentile of the graduate salary distribution), or the 25th percentile of the occupational wage distribution, whichever is higher.

5.3. In addition, occupation plays a role in the Shortage Occupation List (SOL). Occupations deemed to be in shortage are exempted from the Resident Labour Market Test (RLMT), do not have to meet the £35,000 minimum for eventual settlement, and receive priority in the allocation of Certificate of Sponsorship in the event that the cap is met.

5.4. In making recommendations\textsuperscript{21} about whether an occupation is in shortage, the MAC bases its conclusions on three criteria: the occupation must be skilled to National Qualifications Framework level 6 or above (NQF6+) (the skilled criterion); there must be an identified shortage of labour within the occupation or job title (the shortage criterion); and it must be sensible to address this shortage using immigration from outside the EEA (the sensible criterion).

5.5. In assessing shortage the MAC uses a variety of information including nine top-down indicators\textsuperscript{22}. The MAC combines the occupation level indicators with more granular, “bottom-up” evidence from other data sources and partners’ evidence to reach a judgement as to whether an occupation is in shortage.

5.6. The current “skilled criterion” reflects the fact that T2(G) is restricted to occupations at NQF6. In principle, similar criteria could be applied to all occupations though some adjustment might be needed to ensure that the

\textsuperscript{20} Tier 2 General included NQF3 or above occupations until 2012
indicators remain fit for purpose. In addition, the current ready availability of EEA migrants could mean that there are presently few shortages in occupations where EEA migrants make up a significant share of the workforce. Nonetheless, shortages might occur if restrictions on the flow of migrants were to be put in place.

5.7. Many other countries (e.g. Australia and New Zealand) also use occupation lists to identify supply constraints and select migrants. These occupation lists often try to capture the short term and long term needs of the economy and mostly include high-skilled occupations.

5.8. The remainder of this section looks at the occupational distribution of EEA migrants. Chart 5 shows the top 25 4-digit occupations that employed EEA migrants in 2016 and the comparable number in 2004. All of these occupations experienced substantial increases in the number of EEA migrants, particularly Cleaners and domestics; Elementary storage occupations; and Food, drink and tobacco process operators.

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5.9. Chart 6 presents the share of EEA migrants in those top 25 occupations, compared to 2004. The share has increased in all occupations, particularly; Elementary storage occupations; Food, drink and tobacco process operatives; and Packers, bottlers, canners and fillers.
The majority of these occupations are relatively low-skilled with relatively low earnings; the median salary for EEA migrants in low-skilled occupations is less than £16,000 per year\textsuperscript{23}. Only 6\% of EEA migrants in the low-skilled occupations meet the current minimum salary threshold of £30,000 per annum under T2 (General) – see chart 7.

\textbf{Chart 6: Share of EEA-born by Occupation, 2016 and 2004}

Notes: Top 25 occupations by volume, 4 digit SOC level
Source: LFS 2016, LFS 2004. The sample sizes for 2004 are not always large enough to make meaningful comparisons, but have been included for completeness.

\textbf{Chart 7: Earnings by occupation – EEA-born}

Source: LFS 2016

\textsuperscript{23} The earnings data was derived from the LFS which is the only survey to our knowledge that provides a breakdown of wages of migrants and non-migrant workers. The data is self-reported. The variable used is the gross weekly wage, multiplied by 52 weeks to derive the yearly average.
Sector-based schemes

5.11. While the current UK system does not differentiate by sector it has done in the past – up until 2013 the UK had schemes for agriculture, hospitality and food processing sectors. These schemes have been abolished as they were no longer considered necessary given the flow of workers available from the EEA. Sectors tend to be better organised than occupations so heavy users of migrant labour often voice their concerns about possible restrictions on a sectoral basis. On a practical level, it is possible that sector-based schemes apply only to selected occupations and not to all workers within the sector.

5.12. Chart 8 shows the number of EEA-born workers for the top 25 two-digit sectors in 2016 and 2004\(^{24}\). The top five sectors accounted for almost a third of all EEA workers. The sectors with the largest numbers of EEA workers are: Retail trade; Food services activities; Education; Manufacturing of food; and Human Health Activities. All sectors have experienced a large increase since 2004, however some sectors experienced faster growth than others.

Chart 8: Number of EEA-born by sector (2016-2004)

Notes: Top 25 sectors, Industry division in main job
Source: LFS 2016 and LFS 2004. The sample sizes for 2004 are not always large enough to make meaningful comparisons, but have been included for completeness.

5.13. Chart 9 shows the share of EEA migrants in each of those top 25 sectors in 2016 and how they have changed since 2004. As with the overall volumes, the share of

\(^{24}\) The ONS have recently published an analysis on employment of migrants at 3 digit level based on nationality https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/007032oneandthreedigitindustrydata2007to2016
But sample sizes for many sectors are too small to be reported.
EEA migrants has increased in all sectors from 2% in 2004 to 7% in 2016. The increase was greatest for Manufacture of food products; Construction of buildings; and Warehousing & support for transport.

### Chart 9: Share of EEA-born by sector, 2016 and 2004

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share EEA 2016</th>
<th>Share EEA 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>47 Retail trade, except vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>56 Food and beverage service activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>65 Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>84 Human health and social work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>85 Construction and repair</td>
<td></td>
<td></td>
</tr>
<tr>
<td>86 Wholesale trade, except vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>91 Specialized, scientific, technical and auxiliary services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92 Public administration and defence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>93 Restaurants and hotels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>94 Transport and warehousing and support for transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>95 Information and communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>96 Financial and insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>97 Public order and safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>98 Public administration and defence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>99 Social work, without personal services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Postal and other postal activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Accommodation and food services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Health and social work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 Real estate and business activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14 Other professional, scientific and technical services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Wholesale and retail trade and support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Legal and accounting activities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Top 25 sectors by volume, Industry division in main job
Source: LFS 2016 and LFS 2004. The sample sizes for 2004 are not always large enough to make meaningful comparisons, but have been included for completeness.

5.14. As discussed in the previous section, changes to the UK immigration system might affect lower-skilled workers more than higher-skilled workers. If that is the case, chart 9 may not give an accurate impression of the likely impact of controls on different sectors, as those sectors with lower-skill migrants may be disproportionally affected. Chart 10 shows the distribution of EEA migrants and their skill levels (based on occupation) in different sectors. The sectors with the highest share of low and medium-skilled EEA migrants are: Food and beverage service activities; Crop, animal production and hunting; Accommodation; and Services to buildings and landscape. In contrast, education and health have large numbers of EEA workers but these are mostly higher-skilled.

5.15. Sectors and businesses are likely to react differently to a reduction in low-skilled migration. On the one hand, a reduction in the supply of low-skilled migrants might push up wages and costs to businesses, which could translate into higher prices for consumers. On the other hand, a reduction of fairly cheap low-skilled migrants could force businesses to substitute labour for capital, boosting productivity.
5.16. Many OECD countries have some sectoral migration schemes. These tend to be for sectors dependent on low-skilled labour and for temporary migrants only. About two-thirds of the OECD countries have dedicated programmes for seasonal workers in agriculture\textsuperscript{25}, often based on bilateral agreements between sending and receiving countries. There is considerable variation in sector-based schemes across countries. For example, most of the permits under Korea’s E-9 low-skilled foreign workers scheme are used by the manufacturing sector\textsuperscript{26}.

**Seasonal workers schemes**

5.17. There are some sectors where the demand for labour is very seasonal. In some cases, a large amount of labour may be required in a very specific place for a short period of time. A study by Scott\textsuperscript{27} found that demand for farm labour during peak season is around four and a half times the demand in low season. It may be very difficult for these sectors to provide regular employment for settled workers, in which case it may be natural to use seasonal migration schemes to fill short-term labour shortages.

\textsuperscript{25}http://www.oecd-ilibrary.org/social-issues-migration-health/international-migration-outlook-2016_migr_outlook-2016-en
\textsuperscript{26}http://www.ilo.org/wcmsp5/groups/public/@ed_protect/@protrav/@migrant/documents/publication/wcms_344235.pdf
5.18. Table 1 presents some preliminary estimates of seasonality of UK sectors. For 1-digit sectors we compute the average percentage deviation between the seasonally unadjusted and adjusted ONS estimates of employment. These differentials are presented for the four months reported by ONS as well as the difference between the maximum and minimum deviation, a simple measure of overall seasonality.

5.19. These measures are estimates; they are aggregated measures, they are at one-digit level and specific sectors might have more seasonality within them. They represent differences at four points in the year, the seasonal peaks and troughs may be at other dates. Our measures could therefore under-state seasonality and this may differ across sectors. Nonetheless, the analysis suggests that “Agriculture, forestry and fishing”, “Wholesale and retail trade” and “Accommodation and Food Services” are the sectors with the most seasonal variation. More analysis is needed on seasonality by sector.

### Table 1: Seasonality analysis

<table>
<thead>
<tr>
<th>Industry</th>
<th>Q1–Mar</th>
<th>Q2–Jun</th>
<th>Q3–Sep</th>
<th>Q4–Dec</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: Agriculture, forestry and fishing</td>
<td>-1.2%</td>
<td>-0.4%</td>
<td>1.9%</td>
<td>-0.3%</td>
<td>3.1%</td>
</tr>
<tr>
<td>B: Mining and quarrying</td>
<td>-0.2%</td>
<td>0.1%</td>
<td>1.0%</td>
<td>-0.7%</td>
<td>1.7%</td>
</tr>
<tr>
<td>C: Manufacturing</td>
<td>-0.2%</td>
<td>-0.1%</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.3%</td>
</tr>
<tr>
<td>D: Electricity and gas</td>
<td>0.3%</td>
<td>-0.3%</td>
<td>-0.3%</td>
<td>0.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>E: Water supply and sewerage</td>
<td>0.0%</td>
<td>-0.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>F: Construction</td>
<td>-0.2%</td>
<td>-0.1%</td>
<td>0.3%</td>
<td>0.1%</td>
<td>0.4%</td>
</tr>
<tr>
<td>G: Wholesale and retail trade</td>
<td>-0.7%</td>
<td>-0.7%</td>
<td>-0.6%</td>
<td>2.0%</td>
<td>2.7%</td>
</tr>
<tr>
<td>H: Transportation and storage</td>
<td>-0.5%</td>
<td>-0.2%</td>
<td>-0.2%</td>
<td>0.8%</td>
<td>1.3%</td>
</tr>
<tr>
<td>I: Accommodation and food</td>
<td>-1.3%</td>
<td>1.0%</td>
<td>0.6%</td>
<td>-0.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>J: Information and communication</td>
<td>-0.1%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.2%</td>
</tr>
<tr>
<td>K: Finance and insurance</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>L: Real estate</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>-0.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>M: Professional, scientific and technical</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>N: Administrative and support service</td>
<td>-0.8%</td>
<td>-0.1%</td>
<td>0.6%</td>
<td>0.3%</td>
<td>1.4%</td>
</tr>
<tr>
<td>O: Public administration and defence</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>P: Education</td>
<td>0.8%</td>
<td>0.2%</td>
<td>-1.4%</td>
<td>0.4%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Q: Health and social work</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>-0.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>R: Arts, entertainment and recreation</td>
<td>-0.8%</td>
<td>0.6%</td>
<td>0.9%</td>
<td>-0.8%</td>
<td>1.7%</td>
</tr>
<tr>
<td>S: Other service activities</td>
<td>-0.2%</td>
<td>-0.1%</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
Regional-based schemes

5.20. Although there has been an increased share of EEA-born workers in all regions, from 2% in 2004 to 7% in 2016, some regions are more dependent on EEA workers than others. London’s share of EEA-born workers is double the national average, whilst Scotland is marginally above (at 8%) – see chart 11. However, the largest proportional increases in the share of EEA migrants since 2004 were in Northern Ireland and the Rest of England.

<table>
<thead>
<tr>
<th>Region</th>
<th>Share of EEA-born by region, 2016 and 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>14%</td>
</tr>
<tr>
<td>Scotland</td>
<td>8%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>7%</td>
</tr>
<tr>
<td>Rest of England</td>
<td>6%</td>
</tr>
<tr>
<td>Wales</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: LFS 2016, LFS 2004
Notes: Analysis uses Region of work, as such looks as individuals in work only.

5.21. Some sectors have a stronger reliance on EEA workers in some regions than others. Chart 12 below shows the share of EEA workers by region for a number of selected sectors. The high share of EEA workers in the “Manufacture of food and beverages” is largely driven by the high proportion of EEA workers in the Rest of England. London has a much larger share of EEA workers in “Construction”, “Accommodation and food services” and “Finance and insurance”. Scotland also has a higher share of EEA workers in “Construction” as well as “Accommodation and food services”. This means that different regions of the UK might have different demands for different types of migrant labour.
5.22. The UK’s migration policy currently varies by region to the extent that Scotland has a separate SOL, but the differences are small. At a practical level, most non-EEA migrants under T2 (G) are likely to choose to live in an area close to their employer. It is therefore possible to have a regional element in the migration system without a strict regional visa system.

5.23. A number of other countries (e.g. Australia and Canada) use region-based migration schemes to reflect acute regional differences. The MAC has in the past resisted demands to have more regional differentiation in the migration system. For example, some partners have often argued that minimum salary thresholds should be lower outside London in order to take into account regional variations in living costs and pay. Regional restrictions on work visas can only apply for as long as the migrant does not have permanent residence. There is a risk, perhaps experienced by other countries, of areas with a demand for permanent migrants only attracting temporary migrants, as a result of them moving to other areas once they are free to do so. This is an issue that needs further analysis before coming to any conclusions.

**Age**

5.24. Age is used as a criterion for selecting migrants by many countries (e.g. Australia, Canada and New Zealand treat younger applicants more favourably, awarding them additional points for their age). There are a number of reasons for this – younger migrants have a longer working-life ahead of them so have a higher chance of making a net positive contribution to the public finances, and they are perhaps considered more likely to assimilate successfully. The current UK T2 (G)
route has lower salary thresholds for labour market entrants (who tend to be younger) reflecting the belief that they are more likely to have earnings growth in the future.

5.25. Additionally some countries, including the UK, have schemes aimed at attracting young, temporary migrants. In the UK, the Youth Mobility Scheme allows citizens of certain countries (Australia, Canada, Japan, Monaco, New Zealand, Hong Kong, Korea and Taiwan) who are between 18 and 30 years of age and meet certain criteria the possibility to work and live in the UK for up to two years. The Youth Mobility Scheme is the work-related migration route for non-EEA workers that is closest to free movement, though it is temporary without any path to settlement and without the ability to switch in-country to another more permanent route.

5.26. Migrants in general, but especially EEA migrants, tend to be younger. The share of EEA immigrants who are 20-40 years of age is more than twice as high as the UK share (55% and 24% respectively) – see chart 13.

<table>
<thead>
<tr>
<th>Chart 13: Age profile of EEA-born compared to UK-born, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Chart showing age distribution of EEA-born and UK-born]</td>
</tr>
<tr>
<td>Source: LFS, 2016</td>
</tr>
</tbody>
</table>

Self-employment

5.27. So far, the discussion of the immigration system been primarily about employees. However, there are 4.8m self-employed people in the UK, almost twice as many as those working in manufacturing. The majority of the self-employed (81%) are UK-born, whilst the EEA’s share is broadly representative of their share in the

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28 The **Self-employed** in the Labour Force Survey are those people who regard themselves as self-employed, that is, who in their main employment work on their own account, whether or not they have employees.

29https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/summaryoflabourmarketstatistics
overall labour market at 7% – or 300,000 individuals. However, the EEA share of self-employed is not equally distributed across occupations or sectors.

5.28. At a sector level, EEA-born workers account for 24% of the self-employed in the “Warehousing & support transport” sector and 16% of the self-employed in the “Construction of buildings” sector. Three sectors (Construction of buildings; Specialised construction activities; and Services to buildings and landscape) account for around 40% of the EEA-born who are self-employed, compared to 24% of UK-born self-employed.

5.29. Self-employment also varies by occupation level; 15% of both the UK and EEA-born workers are self-employed, around a fifth of EEA workers in medium-skilled occupations are self-employed, compared to 13% for both low and high-skilled occupations respectively (see chart 14). Around a third of all the EEA-born who are self-employed are concentrated in 5 occupations (Construction and building traders; Cleaners and domestics; Carpenters and joiners; Elementary construction occupations; and Painters and decorators).

Chart 14: Share of self-employed workers by occupation level, 2016

<table>
<thead>
<tr>
<th>Occupation Level</th>
<th>UK</th>
<th>EEA</th>
<th>Non-EEA (RoW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low skilled</td>
<td>11%</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Medium skilled</td>
<td>21%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>High skilled</td>
<td>13%</td>
<td>13%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: LFS 2016

5.30. A minority (around a sixth) of the self-employed employ other individuals, but there are significant differences by occupation level. Chart 15 shows that the self-employed EEA-born are less likely to have employees than either the UK-born or other migrants. These differences are particularly pronounced for the high-skilled occupations.

5.31. The Tier 1 Entrepreneur route provides a route for self-employed non-EEA migrants to work and set up businesses in the UK, though this is perhaps not typically thought of as a route for the self-employed. The number of Tier 1 applicants coming into the UK is small (just over 4,500 in 2016). This route is mainly aimed at high-value entrepreneurs wishing to invest in the UK through setting up or taking over one or more businesses, for an initial period of no more
than three years and four months. Applicants must demonstrate access to £200,000 to invest in one or more UK business; pass the genuine entrepreneur test; satisfy English language requirements and meet the maintenance requirements. To be eligible for permanent settlement, two full-time jobs must have been created from the entrepreneurial activity. Chart 15 illustrates that it is unlikely that a significant proportion of the EEA self-employed would meet the current requirements for settlement under the Tier 1 entrepreneur route.

<table>
<thead>
<tr>
<th>Chart 15: Share of self-employed with any employees, by occupation level and country of birth, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>High skilled</td>
</tr>
<tr>
<td>UK</td>
</tr>
<tr>
<td>0%</td>
</tr>
<tr>
<td>15%</td>
</tr>
<tr>
<td>30%</td>
</tr>
<tr>
<td>15%</td>
</tr>
<tr>
<td>0%</td>
</tr>
<tr>
<td>15%</td>
</tr>
<tr>
<td>30%</td>
</tr>
<tr>
<td>15%</td>
</tr>
<tr>
<td>0%</td>
</tr>
<tr>
<td>15%</td>
</tr>
<tr>
<td>30%</td>
</tr>
<tr>
<td>15%</td>
</tr>
<tr>
<td>0%</td>
</tr>
</tbody>
</table>

Source: LFS 2016

5.32. It would be interesting to consider the earnings of the self-employed for both UK-born and EEA migrants. Unfortunately, the data available on earnings of the self-employed is very poor. A recent Resolution Foundation study found that the earnings of the self-employed are both lower and have risen more slowly than that of employees over a long period not just confined to the period since 2004. Earnings are important because complaints about the impact of EEA self-employed on the earnings of the self-employed UK-born are common, and many labour market institutions designed to prevent under-cutting (i.e. the national minimum wage) do not apply to the self-employed. More analysis of the self-employed would be very helpful.

5.33. Several other OECD countries have a route for migrant entrepreneurs similar to the current Tier 1 route, basing admission criteria on investment funds, personal funds, job creation, specific sectors or location, specific economic business tests, innovative ideas and previous experience (MAC 2015). These schemes target entrepreneurs who are believed to make a strong economic contribution to the receiving economy.

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30 Though small sample sizes mean it is not possible to conclude that the EEA self-employed are significantly less likely to have employees.
Other sources of lower-skilled workers

5.34. This section has so far focused on the selection criteria that could be used to select migrants. In practice however, there are other routes by which migrants who are in lower-skilled jobs might enter the UK. For example, a proportion of migrants who enter via the family route, the Tier 5 youth mobility route, as refugees or even as students may end up in lower-skilled jobs. Therefore, the flow of lower-skilled migrants would not dry up completely even in an extreme scenario where there was no explicit low-skill work route.

5.35. One way of getting an idea of the numbers involved is to consider non-EEA migrants. According to the Labour Force Survey, there were about 440,000 employed non-EEA born migrants in 2016 who reported arriving in the UK after 2010. Around 100,000 of these have either EEA, UK or Irish citizenship so have the right to work under free movement. A further 50,000 are from countries eligible for Tier 5 youth mobility visas (although not all nationals from Tier 5 countries will come to the UK through Tier 5 visas as they can use other routes) and we estimate that 40,000 are either current or past students in the UK. However, we also estimate there are 50,000 medium and 90,000 low-skilled workers who do not fall into any of these categories.

5.36. It is important to note all the information in this table is based on self-reported survey results which may not be an accurate reflection of when respondents came to the UK, what visa route they entered under and what job they are doing.

<table>
<thead>
<tr>
<th></th>
<th>Total number of Non-EEA-born</th>
<th>of which are NOT EEA/UK citizens</th>
<th>of which are NOT potential T5</th>
<th>of which are NOT current students</th>
<th>of which are NOT T5 students</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-Skilled</td>
<td>170</td>
<td>140</td>
<td>110</td>
<td>110</td>
<td>100</td>
</tr>
<tr>
<td>Medium-Skilled</td>
<td>100</td>
<td>80</td>
<td>60</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>Low-Skilled</td>
<td>170</td>
<td>110</td>
<td>100</td>
<td>100</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>440</td>
<td>340</td>
<td>290</td>
<td>270</td>
<td>240</td>
</tr>
</tbody>
</table>

Source: Analysis of the LFS 2016
Notes: Because of the low sample size we rounded the data to the nearest tens of thousands.

5.37. We also look at the self-reported reason for migration of migrants who arrived after 2010 and are not EEA, UK or Irish nationals, as reported in the LFS. The self-reported reason for migration may not be an accurate indicator of the way in which

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32 Individuals might apply for a Tier 5 visa (Youth Mobility Scheme) if they are 18 to 30 and they are from Australia, Canada, Japan, Monaco, New Zealand, Hong Kong, Republic of Korea and Taiwan.
migrants entered the UK, but it could be used as a proxy to assess how many individuals might have been eligible for entry under different schemes. Table 3 shows that the largest source for low-skilled non-EEA workers is the family route.

<table>
<thead>
<tr>
<th>For employment</th>
<th>For study</th>
<th>Family</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-skilled</td>
<td>30%</td>
<td>4%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Medium-skilled</td>
<td>10%</td>
<td>3%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Low-skilled</td>
<td>8%</td>
<td>4%</td>
<td>16%</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>49%</td>
<td>11%</td>
<td>30%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Analysis of the LFS 2016

5.38. Many other OECD countries receive a significant proportion of labour migrants through alternative channels (e.g. family, humanitarian, working-holiday makers, students, trainees, and lottery) with work migration representing on average 14% of all permanent migration.

5.39. As shown in chart 16, family migrants account for large shares of permanent migration flows. The share is especially high in Australia, Canada, New Zealand and the USA.

5.40. Working holiday programmes, often designed for cultural and holiday experiences, can make a significant contribution to the supply of labour especially in low-skilled sectors (in particular in the hospitality industry).
5.41. Similarly, international students are usually allowed to work at least part-time and thus make a contribution to overall labour supply. In Australia, according to the 2014 International Student Survey, 36% of higher education students were in paid employment, of which two-thirds were in work not related to field of study.

6. Possible methods for managing migration

6.1. The previous section considered a variety of ways in which migrants might be selected but has said little about the methods that might be used to implement those controls. Any system that involves the control or selection of migrants requires some degree of checking, costs and bureaucracy, but it is important to try to design a system that achieves objectives in a way that is as transparent, efficient and fair as possible.

6.2. The current arrangement of the UK with the EU is that of free movement— the citizens of one EU country have certain rights to travel and reside within another EU country (see Box 2 for a brief summary of how free movement has evolved over time). In an international context, the free-movement arrangement within the EU is unusual. The Trans-Tasman Travel Arrangement between Australia and New Zealand is one of the only current comparable models.

6.3. Under free movement, the regulatory burden on employers is light. They need only check on the citizenship of potential EEA employees before employing them. In contrast the process for employing a non-EEA worker in the UK requires an employer to obtain a license, satisfy certain conditions and obtain a work permit. All this requires time, money and effort and the process may be subject to considerable uncertainty.
### Box 2: The evolution of Free Movement of People in the EU

**Free Movement of People** - alongside free movement of goods, services and capital - is broadly understood to be one of the four fundamental freedoms comprising the EU’s single market. In its current form, Free Movement of People affords all EU citizens the basic right to travel, live and work wherever they wish within EU member states.

The scope of free movement rights has evolved substantially in recent decades, far beyond what the principle was originally intended to facilitate. The Treaty of Rome introduced Free Movement of People in 1957, as a key economic objective for the European Economic Community (EEC). Many historical accounts argue that this was pushed for by the Italian government and was viewed with apprehension by some of the other member states who felt that it might disrupt their labour markets. Regulation No. 1612/68 about freedom of movement for workers (in 1968 at the end of the original transitional period) contained an Article on a mechanism to restrict freedom of movement in the event of serious labour market disturbance, though this was never used.

In the early 1990s free movement rights were expanded by a series of directives to apply to students, the retired and the self-sufficient, rather than just the economically active. In 1992 the Maastricht Treaty, which created the European Union, went even further by introducing the notion of European Union citizenship which every member state national would enjoy automatically. By virtue of this European Union citizenship, all EU nationals accrued certain rights, such as the basic right to move and reside freely within member states.

The original economic grounding of Free Movement of People was largely severed at this point, as free movement rights for workers and the self-employed were subsumed into the status of citizenship of the union. Since 1992, the European Court of Justice has continued to expand the scope of free movement through various rulings (see case of *Metock* 2008 and *Zambrano* 2011), limiting the ability of member states to control immigration flows from within the EU.

| 6.4. | International experience, both good and bad, may be of use in designing a future system that maximises the welfare of UK residents. This section provides an overview of the main methods used by the UK and other countries, largely gathered from OECD and Government sources. |
| 6.5. | **Permanent vs temporary migration**: The important distinction here is that permanent migration routes offer a path to settlement (subject to conditions) in which the migrant acquires the right to remain in the country and perhaps become a citizen. In contrast, temporary migration requires migrants to leave the country after a certain period with no possibility of extension or a path to settlement. There are costs and benefits of temporary and permanent migration options, see table 4. Many countries have both permanent and temporary programmes for high-skilled |

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34 Metock and others vs. Minister for Justice, Equality and law Reform (2008) Case C-127/08 and Zambrano v ONEm Case C-34/09 [2011]
workers. However, almost all low-skilled migration schemes in OECD countries are temporary. Within temporary schemes, seasonal programmes are the largest categories followed by working-holidays. Working-holiday programmes are usually designed for cultural and holiday experiences but can contribute significantly to the supply of labour in low-skilled sectors (in particular in the hospitality industry).

| Table 4: Cost-benefit analysis of temporary and permanent migration options |
|-------------------------------------------------|-------------------------------------------------|
| **Temporary options**                          | **Permanent options**                           |
| **Benefits**                                   | **Benefits**                                    |
| • Meets labour market needs without adding to the long-term resident population. | • Meets labour market needs in the longer-term as migrant workers can be retained. |
| • A natural fit for certain industries, such as hospitality and horticulture. | • Facilitates the long-term investment of specialised skills and capital. |
| • Minimises cost to public services as temporary schemes often restrict access of dependents. | • Long term migrants have the opportunity to integrate more effectively, developing language skills, social connections and local knowledge, to provide greater social cohesion. |
| • Policy benefits include the promotion of special political relationships and cultural exchange. | • Migrants may provide positive fiscal benefits if economically active. |
| • Economically active migrants may provide positive fiscal benefits. | |
| **Costs**                                      | **Costs**                                      |
| • In a constantly rotating pool of migrant labour, employers lose the ability to retain trained workers who may have developed specialised knowledge. | • Adds to the long-term resident population and affords migrants greater rights of access to the social welfare system. |
| • Evidence suggests that temporary options can lead to structural dependence on migrant workers in certain industries, as certain types of work become dominated by temporary migrants (Ruhs, 2005). | • The strongest determinant of a migrant making a positive fiscal contribution is employment (OECD, 2013). Once a migrant gains permanent settlement, visa conditions such as employment requirements fall away. Without any formal obligation to work, permanent migrants may not yield a positive fiscal contribution. |
| • High turnover may limit the ability of migrants to integrate effectively to the detriment of social cohesion (Sumption, 2017). | • Fiscal contributions decrease as longer-term migrants draw increasingly on public services such as health care, education and welfare benefits. |
| • Temporary workers are more vulnerable to exploitation by virtue of being afforded limited rights and being tied to a particular employer. |  |
| • Temporary migration options may be difficult to enforce, as some temporary migrants may overstay or eventually acquire permanent status. |  |

6.6. Another important distinction is between schemes that require potential migrants to have a job offer and those that do not. Eligibility for programmes that do not require a job offer is typically based on having characteristics thought desirable in immigrants.
6.7. For programmes that do not require a job offer, Point-Based Systems (PBS) are used in many OECD countries to manage high-skilled migration (e.g. Australia, Denmark, Japan, Netherlands, New Zealand). Under the PBS, migrants with characteristics that are desired (e.g. education, occupation, age) receive more points. A successful migrant has to have more than a certain number of points. Although entry may be based on potential alone, the right to remain in the country may be dependent on having demonstrated a certain level of labour market success. For existing PBS, weight is increasingly placed on having a job offer and the nature of that job offer, probably because the actual job offer is a better indicator of likely labour market success than paper qualifications.

6.8. **Work permit systems** enable policy makers to manage work migration through restricting the availability of work permits to the types of migrants desired. Other conditions must often be satisfied before a work permit is issued.

6.9. **Labour market tests (LMT)** are very commonly used to assess whether a job vacancy could be filled by a native worker and to ensure that migrant labour is only used where no source of domestic labour is available. Procedures and criteria vary across countries, for example some require employers to pay for advertising the job, stipulate how a job is advertised to ensure it reaches local workers, ask for additional evidence showing employers’ efforts to hire locally. Sometimes, groups like trade unions have the final decision to approve foreign recruitment. Countries also tend to exempt some jobs from the LMT. This may be the case when a job is on a shortage list and/or meets certain thresholds (minimum wage levels or qualifications). Additionally, intra-company transferees usually have the LMT waived.

6.10. In addition to passing labour market tests, job offers to migrants must often also meet **Salary thresholds** that are designed to prevent under-cutting of domestic wages. For example, the UK places a minimum salary requirement of £30,000 per year on Tier 2 migrants. Recent changes to New Zealand’s skilled migration system aligns their salary thresholds with the median national income. Skilled workers must earn the national median income of $48,859, while lower-skilled but well paid migrants must now satisfy an income of 1.5 times the national median income ($73,299).

6.11. Work permit systems usually require employers to pay **visa costs**. These vary significantly across countries and also within countries according to the permit category. High issuance costs may be designed to discourage hiring foreign workers. Singapore varies work permit costs for different types of workers to try to alter the mix of migrants.

6.12. Some countries also limit ability to sponsor work permits to **accredited employers**. Employer accreditation has a cost associated to it which can be onerous, especially for smaller firms. Sponsorship systems can improve
compliance and reduce abuse. For example in Korea, sponsorship status depends on employers’ past employment practices.

6.13. Systems that allow migration to all those who meet set criteria may not have control over the numbers who will meet those criteria, therefore numerical limits may also be used. **Numerical limits** are often designed in different ways (e.g. quotas, targets, ceilings and caps) depending on the countries’ objectives and can cover the whole economy, specific sectors or specific employers. Where caps or quotas are met, there has to be some system for allocating the available slots.

6.14. **Bilateral agreements** are another popular tool to manage migration. Bilateral agreements can take the form of treaties, travel arrangements and memorandums of understanding (MOU). Korea, for example, has a temporary labour migration scheme that operates uniquely through MOUs with 15 countries.

6.15. **Free Trade Agreements (FTAs)** are increasingly incorporating migrant labour mobility into their provisions, though such provisions typically cover a very small proportion of migrant stocks. For example, in the 2015 Australia-China FTA both parties agreed not to apply their usual labour market tests to a range of temporary worker categories, such as intra-corporate transferees. Other work routes were restricted by China to specific sectors, such as engineering and medical services. Some agreements also allow for discrimination against foreign workers in favour of nationals. For example, the EU-Vietnam FTA negotiations have concluded that at least 20% of staff managing new enterprises in Vietnam must be Vietnamese nationals.

6.16. Table 5 provides a brief summary of the advantages and disadvantages of the different tools discussed above.
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<th>Tools</th>
<th>Advantages</th>
<th>Disadvantages</th>
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| Numerical limits                           | • Can be based on planning levels  
• Send message of political control  
• Easy to understand  
• Clearly signals that access to migrant labour is not open-ended, so employers maintain local recruitment and development | • Difficult to set the limits  
• Difficult to prioritise within the limits  
• Subject to political pressure  
• Potentially inflexible  
• Can lead to backlogs or waiting lists |
| Point-Based Systems                        | • Considers skills and employability  
• Can be a hybrid system that considers demand and supply factors  
• Linked to numerical limits | • Post-entry retention not assured  
• Require investments in ongoing evaluation and re-calibration  
• Complex for migrants  
• Verification of skills is cumbersome  
• PBS criteria are less clear for low-skilled. |
| Labour Market Tests                        | • Help ensure job is offered to native  
• Employers understand job search techniques | • Easy to distort  
• Requirements often not standardised  
• Difficult to enforce  
• Requires effective administrative machinery, could imply delays and costs |
| Shortage occupation lists                  | • Easy to explain to public  
• Can have short-term and medium-terms demand | • Possibly inappropriate for lower-skilled  
• Complicated to develop  
• Subject to lobby  
• Risks of negative incentive to train locals |
| Employer sponsorship and accreditation approach | • Accelerate recruitment process  
• Increases and reward compliance | • Favours current and larger users of migrant labour  
• Costs may discourage some employers  
• Requires monitoring and information |
| Work permit approach                       | • Can define which jobs, workers and employers are eligible  
• Can be combined with other tools | • Costs may discourage some employers |
| Bilateral Agreements                       | • Can reduce unethical recruitment practices  
• Allow other foreign policy objectives to be met | • Can be inefficient to privilege specific countries – employers may have different preferences  
• High administrative oversight |
| Salary thresholds                          | • A proxy for skills when no indicators exist or recognition is difficult.  
• Helps to ensure that migration adds economic value.  
• Can be easily adapted according to national requirements.  
• Easy to understand  
• May help tackle exploitation by ensuring that migrants are fairly paid. | • Subject to fraud and difficult to verify post-entry.  
• May exclude certain skills, occupations or industries which are typically low paid.  
• Does not consider ways of measuring value that are not financial e.g. social cost. |
7. Conclusion

7.1. This note has tried to provide some useful background on work-related migration post-Brexit, both as a stand-alone piece and as a complement to the call for evidence on our commission on EEA Migration and the Industrial Strategy.

7.2. We are conscious that this is the start of analysis and not the final word. While we have used what we think are the best available sources of data, we are acutely aware of some of the limitations of that data and the conclusions that can be drawn from it. There are many areas where the quality of data leaves something to be desired and others where our evidence base on the impact of migration needs to be strengthened. There are inevitable limits to what national surveys can tell us about the impact of migration in firms and communities. The MAC will be working hard to improve our understanding but we cannot do this alone – we need input from anyone who feels that they have something to contribute.

7.3. The accompanying call for evidence outlines the questions that the MAC has been asked to investigate. We look forward to engaging with our partners and receiving your evidence.