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Dear MAC

Re: Tier 2 – Call for evidence

I provide this feedback further to my letter of 3rd July 2015 on the narrower subject of salary thresholds.

Q1. What impact, if any, will reducing the level of Tier 2 migration have on the economy? What are the reasons for your answer?

A1: The rising number of Tier 2 migrants, and the skills shortages that they are hired to fill, are a symptom of the UK's growing economy. The number will fall when we have the next downturn. The impact on the economy of cutting Tier 2 migration by making policy more restrictive will depend on the way in which policy is made more restrictive. Most of the ways in which policy can be made more restrictive can be divided into one of two broad areas:

Market-Driven: Use of the price mechanism, either in terms of Salary levels, OR Fees/levies (such as the one suggested to fund Apprenticeships)

Centrally-Guided: prioritising those migrants that have skills which the government deems most desirable. This will inevitably involve giving extra weight to jobs where the government is the employer, such as healthcare professionals. At the time of writing, we do not yet know the outcome of negotiations between the BMA and the Department of Health concerning changing senior hospital doctors contracts to include more weekend working, it has been suggested that such working will be imposed if not agreed: if that happened and was followed by a shortage of resident applicants for hospital doctor positions, would it be right to rule that there was a 'shortage' when the BMA might say that local doctors were available and would be applying if weekend working was rewarded with a suitable premium.

I believe that the market-driven approaches would minimise the damage to the UK economy, although they would be felt most keenly by regions outside London and lower-paid sectors. Considered dispassionately, as lower paid sectors tend to add less economic value, this might be seen as a problem only where pay is a poor proxy for skill:

the MAC report of July 2015 included research scientists in this category. As such areas do not represent a large part of the economy (ie as pay largely works as a 'least bad proxy' for skill), it might be possible to create specific solutions. In the case of research scientists, they already receive preferential treatment in recognition that they are in an occupation skilled to PhD level

Centrally-guided approaches, such as use of an expanded shortage occupations list, have several disadvantages. They reward (and thus drive resources into) lobbying, they favour large and in particular politically well connected sectors (the city of London will always be able to put its case), they respond slowly to changes in the underlying market, and it is not practical for them to reflect either small niches, or jobs for which a combination of skills is needed (for example while there may be a ready supply of Financial Analysts, it may be very difficult to find those with knowledge of the Japanese construction sector). My letter of 3rd July 2015 provided more detail in this respect. The public pronouncements of ministers, at least since 2010, have rejected central planning for the economy as a whole: in considering steps that would amount to the central planning of this area of the economy, they should weigh the chances of successful execution.

Q 2. How well does the Resident Labour Market Test provide evidence that no domestic labour is available? How could the test be improved?

A 2. The test is generally very effective, although

- Advertising in Jobcentre plus is pointless bureaucracy for most professional jobs. In many sectors staff do not look in jobcentres. The £72,500 threshold should be reduced by at least 50% (note that this would not be a relaxation of the rules if there was still a general requirement to advertise in two places, it would simply allow use of a second 'commercial' publication/website as an alternative to the jobcentre)
- Guidance para 28.41: Vacancies advertised on an employer's own website will not reach most interested jobseekers unless the company is a vast global brand. The wording 'If you are a multi-national/global operation' could, in theory, apply to a company with one employee in London and a subsidiary in New York employing one other person. For companies operating only in the UK, a threshold of employing 250 staff is very low, increasing the number to 2,500 would not necessarily solve the problem, as there are lots of companies that size that are not well known, and as even a high profile company may have vacancies outside the field for which they are known. IT professionals wanting to work for Google or Facebook would look at their websites, but if one of those companies wanted to add workplace-delivered healthcare as a staff benefit, and needed to hire a doctor, a large proportion of potentially suitable jobseeking doctors might not look there.
- Running an advertisement in January does not necessarily prove that skills are not available at the end of June. It could be fair to give employers only 90-120 days from the end of the last period of advertising.

Q3. Does the points mechanism operating in respect of the limit on Tier 2 certificates of sponsorship prioritise those migrants of greatest benefit to the UK? How could its efficiency at doing this be improved?

A3: The changes announced in September 2015, which replace very wide salary bands (eg £34-46k pa) with narrower bands, are welcome. The system now prioritises things as well as is practical on the basis that pay does not correlate perfectly with economic benefit, but is probably the least-bad metric, and some of the weaknesses are addressed with the added credit for PhD level posts, and shortage occupation based posts.

Q4. What criteria should be used to select jobs and occupations that are genuine skills shortages and people that are highly specialist experts? What use should be made of selection criteria such as salaries, points for particular attributes, economic need, number and length of vacancies and skills level? What other criteria should be considered?

A4: The question presupposes that the existing criteria 'let in' those that are not highly specialist experts and staff in areas where the skills shortage is other than genuine. I do not accept that this is the case. Use of Tier 2 for less skilled/specialist roles was eliminated when the 'bar' was raised from NQF4+ to NQF6+ (with the exception of a very small number of shortage roles). The skills shortages are almost always genuine, although the RLMT tightening detailed in my answer to Q2 (above) would make the process more rigorous still. As detailed in my answer to Q1 (and in my letter of 3rd July 2015), use of measures other than salary & application/apprenticeship fees are fraught with complications that render execution impractical.

How would 'economic need' be assessed? Would it be an assessment of the needs of the employer, or of the sector, or of the economy as a whole? Parameters such as this are likely to be 'captured' by lobbying interests, which will tend to favour established businesses and sectors over new / competitive businesses. Please forgive me repeating an earlier example:

In 2002 'social media' was not a defined sector, far less an organised one. Linked-in launched in 2002, Facebook in 2004, and Twitter in 2006. The UK needs a business environment that works for the as yet un-thought-of stars of tomorrow: companies and whole sectors that are not now vocal, do not lobby, do not respond to MAC consultations..

If we are considering 'needs' that are not reflected in salaries, why look only at economic need? Healthcare professionals meet needs that many would argue are greater than economic. Indeed, even the underpaid carer, or junior occupational therapist, can meet a need better than cash. In making these observations, I am not saying that the government could achieve its immigration policy objectives by moving Tier 2 away from prioritisation based on economic criteria, rather, I question the workability of adding extra non-salary criteria.

Giving weight to 'length of vacancies' in a context where the government wants to limit migration suggests that rather than considering cases on the basis of 'total economic benefit to the UK of the migrant being admitted' (which would tend to favour vacancies for permanent roles). One might consider 'benefit per day the migrant is in the UK' (which might tip the balance in favour of short fixed-term roles)

Job advertisements published in the print media, and online, do not always correlate positively with demand from employers. When a skills shortage becomes particularly severe, the absence of suitably skilled jobseekers can render advertising entirely ineffective: when everyone with the required skills already has a job which they are not looking to leave, an employer will not be approached by the individuals, and so the contact has to be initiated by the hirer and/or a third party 'head hunter'.

Q5. What will be the impact of restricting Tier 2 (General) to genuine skills shortages and highly specialist experts?

A 5: Tier 2 (General) is already restricted to NQF6+ roles, requiring roles to be of more than graduate level is not practical. As I believe that the RLMT is generally effective at identifying genuine skills shortages, this question appears to address non-RLMT non-Shortage hiring – ie Tier 4 graduates exempt from the RLMT. When the world's brightest and best come to the UK, pay handsomely for the privilege of attending our great universities, and graduate with flying colours, 'UK PLC' already has a success on its hands, and should build on it by engaging as many as possible of them to help power the competitiveness and success of our economy. Such graduates, at least those who have just completed undergraduate as opposed to masters degrees, might not yet be 'highly specialist experts', and may not yet have skills that are in shortage, but they represent potential, and the UK economy would suffer if deprived of that potential.

Q6 How could a restricted Tier 2 (General) route maintain flexibility to include: a) high value roles; b) key public service workers?

- a) The best way to give flexibility for high value roles would be to prioritise by salary and/or, to charge a fee to employers: in those cases where 'value' may not be reflected in salary, an employer could still choose to pay a fee (or training/apprenticeship levy). If the Tier 2 (general) route became more focussed on an expanded shortage list, as such a list would inevitably fail to capture important specialist niche expertise, it would be necessary to have a version of the 'high earner exemption' for roles under £153,500, perhaps using the same £41,500 salary threshold applied to Tier 2 ICT Long Term staff, thus there would be 3 strands to Tier 2 (general)
- a. Very High earners over £153,500 not requiring an RLMT
 - b. High earners £41,500 - £153,499 requiring an RLMT
 - c. Shortage list roles not requiring an RLMT

- b) Prioritising 'key public service workers' in roles that do not fall into the 'shortage' category, and do not fall into the 'high value' category, cannot be justified. In effect the government would be saying 'we want private sector employers to reduce their reliance on Tier 2 staff, but when acting as an employer the government itself will not

accept any such reduction'. The government will not want to be vulnerable to criticism on this front, and so may be tempted to circumvent the issue by simply ensuring that the posts it needs to fill are placed on the shortage occupation list. On 10th September 2015 <http://www.bbc.co.uk/news/health-34191123> 10 NHS trusts complained that they could not get Restricted CoS for nurses outside shortage occupation niches: the reason (which they did not highlight) was that the salaries paid were not high enough to gain priority in the monthly RCoS allocation process. These are not areas of general shortage, and indeed there are very large numbers of former nurses that could be attracted back into the profession with the right pay & conditions. Just as it was wrong for MPs to allow themselves to claim expenses without receipts, while legislating that HMRC should require receipts from everyone else, so it would be wrong for the government as an employer to be exempt from the downsides its immigration policy places on the rest of the country. This would be a case of government having a de-facto opt-out from its own policy – something that is only required because the policy is not sound. Further restrictions on Tier 2 (and Tier 4 and Tier 1) will do real economic damage, while doing very little to advance the goal of cutting annual net migration to 99,999: a goal that is all but impossible to achieve even if the UK left the EU.

Q 7. What evidence is there of significant regional differences in skills shortages?

A 7: As we have free movement within the UK, there are few cases of regional shortages where the same skills are in ready supply elsewhere in the country (one that springs to mind is a possible shortage of some professions in areas of very low population density). As different regions often contain different sectors, overall UK shortages of a skill will be most apparent in the regions hosting the sector affected (finance in London, consumer automotive in the midlands, F1 automotive design in the Thames Valley, etc)

Q8. What evidence is there of the need to recruit highly specialist experts?

A 8: As the scope of question is specifically limited to overseas recruitment, it may help to consider things from first principles. Expertise arises from the investment of large amounts of time, and usually also money, in obtaining a skill. If we consider instances where that skill has an economic value, as is invariably the case with professional expertise unless it has been rendered obsolete by technological advancement, the employment of that skill involves harvesting a yield on the investment in skill-building. Over £610,000¹, and tens of thousands of hours work, are required to turn a bright and motivated person into a consultant doctor, why would an ill person want anything other than the time of such a trained specialist? Hiring in the skill is essential as, once the

¹ <http://www.dailymail.co.uk/news/article-2784318/The-doctors-exodus-They-cost-610-000-train-3-000-year-leaving-life-sun-Australia-New-Zealand.html>

patient is ill, they need treatment immediately, there is no time to find a school leaver, put them through medical school, train them, etc. The same considerations apply to other sectors: While some universities do manage to take in an undergraduate at 18, take them through Bachelor's, Master's, and Doctoral courses, and then hire them as academic staff, if a university wants to achieve or maintain a preeminent world position

in any discipline, then from time to time it will need to bring in expertise, views, and perspective from outside. Large organisations might in theory be able to survive by only promoting from within, albeit at the price of inefficiency, lack of quality, and inability to respond quickly to external changes: for small organisations it is completely impossible.

The suggestion that one might not to recruit highly specialist experts implies

EITHER: That expertise is not required. I will not dwell further on this scenario

OR: That the employer can create the expertise themselves, rather than having to hire it in 'ready formed'. This is an option in some cases, let us consider some of the conditions that have to be met for this to be the case:

- Lack of urgency: the requirement for the expertise must not be more immediate than the time it would take to take a trainee and turn them into an expert.
- Linked to the above is an ability to make accurate predictions and plan accordingly. For any expertise that takes years to develop, the employer needs to be able to make accurate plans about their needs years in advance. Of course, such planning presupposes the existence of the employer: a startup company that did not exist last year could not possibly have hired and begun training staff two, three, or four years ago. It also presupposes that it is possible to make accurate predictions about future needs, the history of all business/economic forecasting suggests that few if any organisations have this ability. Indeed, the branch of Chaos theory focussing on Sensitive Dependence on Initial Conditions tends to suggest that accuracy in such forecasting is mathematically impossible
- The organisation must have adequate funding to be able to spend money now when the benefit may be reaped only in several years time. In practice, this will usually mean that the organisation is not growing very fast. If an organisation is going to double in size within 3 years, and needs staff with skills that take 3 years to obtain, then they could need to double their headcount immediately in order that they have enough trained staff in 3 years time: very few organisations could bear such a cost:

- The organisation must already contain enough people with the expertise required to train the new hires.
- The organisation must have enough immediate work to give trainees the on-the-job experience required to gain mastery of the skill
- There must be a ready supply of willing applicants with the attributes required to make them suitable trainees. Those attributes may be mental, physical, emotional, etc

The above considers the situation for a single organisation hiring in highly specialist experts from outside that organisation. In many cases the above conditions will not be met, and so the expertise that they need will need to be hired in rather than trained ab initio. While most hired-in expertise may be recruited from the domestic labour market, an organisation that has to look outside itself for ready-made expertise will not necessarily be able to find it locally. Particularly given the costs and red tape associated with hiring from abroad, most employers will very much want to hire locals if they are available. Reasons for the lack of that availability may be multifarious, some of them can be understood by thinking of 'UK Plc' as a single organisation:

Sometimes the UK simply has an urgent need for more of a skill than can be found locally. In terms of the interaction with forecasting, there is no central planning, no one even attempts to predict skill requirements and recruit/train for the UK as a whole – which is just as well as any attempt would be an expensive failure. Consider the fact that the UK healthcare sector is entirely dominated by the NHS, and so able to implement national recruitment/training programmes in a way that competing small companies do not in other sectors, also consider that the NHS has predictable future cashflow, and that the pace of change of medical technology is rarely so fast that one needs to look abroad for niche expertise developed abroad and possessed by no UK doctors. Despite all these advantages the NHS employs more Tier 2 (General) staff than anyone else. Planning/forecasting is not the answer. Only a dynamic international market can supply the requirements arising.

Considering further the analogy of 'UK Plc' as a single organisation,

- Sometimes it is necessary to obtain skills that were not developed in the UK, and so one needs to hire from the country where the skills were invented. Examples include IT skills associated with a particular non-UK company. If a UK company wants to implement a new software package launched by a supplier in Israel, or California, then they will need staff from Israel/California.
- The UK nuclear sector was, until recently, in the process of being wound down. We were not building new nuclear reactors as a matter of public policy. Recently that policy changed, so now we need skills in this area, we simply don't have the home-grown skills base either at the level of individuals or companies (hence overseas firms getting the contracts)

Q 9. What would be the impact on business and the economy of restricting recruitment to genuine skills shortages and highly specialised experts for:

- I. migrants switching from the Tier 4 student route;

A 9 (I): This would not have any immediate catastrophic impact, but would be a regrettable step that would have a long term impact through slightly reducing the talent pool available to UK employers, and making the UK's world-leading university sector that bit less attractive to the brightest and best of the world. It would also cause some global organisations to move some or all of their graduate training programmes out of the UK. I am sure Ireland, and other countries would roll out the red carpet for businesses looking for somewhere else to do their training of graduates. Any such move would inevitably reduce the 'home advantage' and numbers of UK nationals on such graduate programmes

II. all other in-country applications?

A 9 (II) Other in-country applications already involve an RLMT unless the occupation is in shortage (or paying >£153,500). Such positions are already limited to genuine skills shortages and highly specialised experts. Prohibiting in-country changes of employer would turn sponsored staff into bonded labour, employers would no longer have to pay staff the going rate in order to prevent them being head hunted by other companies: this would have the perverse effect of incentivising overseas hiring inasmuch as if a company could clear a high initial 'hurdle' to hire someone on Tier 2, they could then relax and would not have to be attentive to pay reviews, bonuses/commissions, and working conditions.

Q10 How could the methodology to set the Shortage Occupation List be expanded to develop a revised Tier 2 (General) which restricts the route to genuine skills shortages and highly specialised experts only?

A 10 The Shortage Occupation List, however expanded, is necessarily subject to time lags, and ill-suited to dealing with small niches, particularly niches involving a combination of skills. The smallest possible niche is just one job, and there are many cases where such micro-niches arise due to a need for a particular combination of skills (for example, an accountant with expertise in Oracle Financials enterprise accounting systems, and in the hydrocarbon sector). The Shortage Occupation list works well when dealing with relatively broad areas, such as particular disciplines within medicine, or oil/gas engineering. Within IT there were times, such as the late 1990s, when there were across the board shortages, but the last decade has involved a far more complex pattern of demand for skills, with the need for some skill sets waxing and others waning: the ability to forecast what will be in demand in future is no easier in the skills market than in the commodity or stock markets. If one had to make the shortage occupation list work as well as possible, it would require monthly reviews of shortages, and significant efforts to ensure that consideration was also given to submissions by sectors/companies that lacked large trade associations & lobbying budgets.

The larger the list becomes, the more likely it is that it will contain roles that were once in shortage, but have ceased to be so, or that it will contain categories of role where the shortage is confined to a particular niche or skill combination within the area.

Particularly given the inevitable role of lobbying to put roles on the list, it would be unrealistically optimistic to assume that roles would leave the shortage list the moment that the shortage ended. As it is all but impossible to identify the precise sub niches and skill combinations where there is a shortage (not least as some sub niches may contain only one role), a Shortage Occupation List that captures the sub-niches will tend to encompass some roles that are not in shortage. In order to address these issues, and in order to mitigate pressure for a Shortage Occupation List so limited that it does significant harm to the UK economy, the MAC should consider removing the RLMT exemption that now applies to Shortage Occupation roles. The period of advertising required for Shortage roles could be 14 (or even 7) days rather than 28 days, but including a requirement to advertise all roles paying under £153,500pa would seem to be in line with the stated policy objectives of the government. De-facto we might end up with 'non shortage areas' where the bar for expat recruitment was very high (although ideally lower than £153,500pa), and all other areas (those of significant shortages and those including niche shortages) where expat recruitment was allowed subject to an RLMT to ensure that local applicants had first shot at the opportunity.

Q 11. What occupations would you expect to see on an expanded shortage occupation list? How does the occupation or job title you are suggesting satisfy each of our criteria in relation to "skilled", "shortage" and "sensible"? Alternatively, what other criteria does the occupation or job title satisfy that meets the requirement of being in a genuine skills shortage or for highly specialised experts?

A 11: The question suggests that the expanded Shortage Occupation List would no longer focus simply on skills shortages, but would also include 'highly specialised experts', by implication experts that were not in genuine skills shortage. We must cater for both categories of role, but The Shortage Occupation List should not be expanded into a de-facto 'Shortage and Highly Skilled Occupations List'.

The following are occupations within which there are niches where the supply of resident specialised experts falls short of the demand from UK employers.

IT Roles (SOC 2133, 2134, 2135, 2136, 2137)²

In all of these IT areas, there are niches experiencing shortages, and other fields where there is a ready supply of expertise.

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- ² 2133 IT specialist managers
 - 2134 IT project and programme managers
 - 2135 IT business analysts, architects and systems designers
 - 2136 Programmers and software development professionals
 - 2137 Web design and development professionals

Broad Niches where there are shortages include 'Big Data', 'The cloud', Business Intelligence, and digital marketing, but even within these areas, the popularity of particular technologies wax and wane.

For many years there was an across the board shortage of SAP professionals, as SAP grew rapidly. Overall growth is now more manageable, but there are still sub-areas within SAP, specific modules where skills are in short supply.

Basic webmastering skills are no longer in shortage, not least as improved technology allows non/less-technical content creators to publish things that in the past would have required help from the technology department. However, there is a shortage of people able to design and refine integrated web and mobile / application strategies, optimizing business benefit by capturing and analyzing data, and iteratively fine tuning campaigns.

Roles in these sectors are graduate level jobs, and Masters degree level qualifications are often possessed by professionals in the field.

Niche shortages are inevitable because technologies that win in the marketplace experience such high rates of growth that the supply of skills cannot keep up. When a company decides to adopt a new technology, its existing IT team often have no experience in the new software, which means that they need to hire experienced experts; they can not simply re-train existing staff, not least as they have no one to be the trainer. The cost and importance of a new system make it important to have a team of experienced staff. New implementations are often carried out by consultancies; in such businesses, it is vital that client facing roles are filled by those with demonstrable expertise – no client wants to see an expensive consultant having to constantly refer to a manual.

It is sensible to address the shortage by hiring from outside the EEA as

- a) The skills are often found overseas, either in countries where the software publishers are headquartered (eg the USA) or in countries where they have a large number of IT staff (India).
- b) It is not realistic to use 'investment in technology and machinery' as an alternative.
- c) Recruitment from outside the UK but within the EEA is seldom viable; in Eastern Europe the skills are often not there, in Germany the skills may be found but are already employed

2421 Chartered and certified accountants

While it is possible to find qualified accountants quite readily for generalist roles, there are shortages in many niches. In particular, there are shortages of those that combine accountancy with good systems knowledge. Increasingly, companies no longer want to employ management accountants to provide monthly reports, when by implementing the right accounts & BI system they can have the information they need provided in 'real time' on a dashboard or other easily-assimilatable graphic report.

The design, development, and implementation of such systems often requires professionals to straddle disciplines. One might need an accountant with SAP Finance & BI, and familiarity with particular industry sector.

These roles typically require professional accreditation; professional training usually follows an undergraduate degree, and includes both theory/exams and work supervised by a qualified professional.

There are niche shortages in areas requiring a matrix of skills ie accountancy plus either a particular technology and/or particular sector expertise

It is sensible to address the shortage by hiring from outside the EEA as

- a) The skills are often found overseas; particularly in commonwealth & common law countries
- b) It is not realistic to use 'investment in technology and machinery' as an alternative.
- c) Recruitment from outside the UK but within the EEA may be viable in some cases, although

3532 Brokers

This is very broad category, encompassing a range of levels of skill.

Consider 'Insurance Broker': A £26,600pa broker working for a 'high street' broker is a long way from a market expert working at Lloyds of London.

The potential complexity of the jobs of Trader (stock exchange) and Foreign Exchange dealer can be as great as in the Greek situation analysis provided below (w.r.t. 3534 Finance & Investment analysts and advisors)

3534 Finance and investment analysts and advisers

The example job tasks vary widely in terms of the skill required. There is no shortage of retail 'Financial / mortgage advisors', nor is there likely to be a shortage w.r.t. roles for which the salary is only £26,100pa., which might focus on the example tasks

- *analyses the financial position of clients, taking into account outgoings, dependants and commitments;*
- *advises on the relative merits of pension schemes, insurance policies and mortgages that best meet the needs of clients given their personal circumstances; for their clients;*
- *keeps up to date with financial products, legislation and requirements for compliance with the relevant regulatory authority;*
- *identifies and attracts new clients by arranging visits and explaining the benefits of financial products*

However, other listed tasks

- * *predicts the likely long- and short-term future performance of securities and other financial products*
- *monitors information on the socio-economic environment and interprets the implications of such information*

Can require a vast breadth of philosophical, historical, psychological, and financial understanding, as well as specific niche market expertise in countries, and/or sectors.

Consider the recent volatility in Greece, where an analyst weighing which ministerial statements to believe has to consider not only 'does the minister believe it himself?' (bearing in mind Jean Claude Juncker's "When it becomes serious, you have to lie), but 'even if they believe what they are saying, will the minister still be in office / have the cabinet support to follow through?' (Yanis Varoufakis was prepared to leave the Euro, but did not carry the cabinet and resigned). To have any hope of accuracy, an analysis would need to include understanding of

- the Greek economy, its balance of payments, its banking system (including how it has come to rely on ELA), its main industries,
- Greek politics, the main political parties & their history, recent elections, the governing coalition, the factions within the coalition, their relative strengths, how the Greek population would vote in a referendum
- Creditor priorities: the position of the EU/ECB/Troika, which is not acting with a single mind, even if one looked only at Germany as the dominant power, there were differences between Merkel and Schaeuble, constraints imposed by German public opinion (which is less enthusiastic than most German politicians about subsidizing southern Europe), but possible added room for manoeuvre created by the increasingly popular ant-bailout AfD party suffering from internal squabbles (the founder, Bernd Lucke, having been ousted from the leadership, quit the party and then formed another ant-bailout party, Alfa)
- The economy of the rest of the Euro Zone, and how the ECB is likely to respond: QE, and how QE might be effected, in which respect one cant even work things out from the published rules (recall Christine Lagarde saying "The Treaty of Lisbon was very straightforward. No bailout.", "We violated all the rules because we wanted to close ranks and really rescue the euro zone,").

If I wanted someone to perform such a multi-faceted analysis, I would want someone with decades of experience, who had worked in finance through at least two economic boom-bust cycles, and whose work had included time spent in Greece, in Germany, and in Brussels. Even then I would not be surprised if their analysis concluded that the situation was too complex to predict with the degree of certainty required to commit any capital to the area.

The skill level required for these more advanced activities might approach 'Fellow of All Souls' level. There is no shortage of people willing to make predictions, but those with track record of being right are rare indeed.

Investment in technology is not an alternative to recruitment, indeed the availability of increasingly large data sets and modelling tools may make jobs more difficult as proficiency in use of those tools becomes an another skill required on top of all the others (using a model without the other skills is not enough, as one needs to put the right things into a model: 'Garbage In-Garbage Out')

SOC 1115: Chief Executives and senior officials,

This is a good example of an area where organisations can usually find resident applicants, but where those residents may be uninspiring, and it is vitally important to get the best person for the job. When Steve Jobs was alive, it is easy to see that any UK technology company would have wanted him as their CEO, whatever local applicants might have been available. Having such talent leading a UK firm would help the UK economy far more than protecting the job for a 2nd choice resident applicant. Of course the >£153,500pa high earner exemption would have applied in that case, but the same considerations apply for smaller companies: it is essential that UK companies are able to hire the right top team: if that team is sub standard because the best foreign talent is unavailable, then those that suffer most will be the organisation's junior staff, the shareholders, and probably also the clients.

Creative areas including 1132, Marketing & Sales directors, 1134 Advertising & PR directors, 3415 Musicians, 3416 Arts officers, producers, and directors,

These are all fields in which the individuality of each professional may shine out, and where the difference between the outputs of different people can be so vast that the issue is not 'is there a shortage in this area?' but rather 'who can bring us the flair and ideas that we need?'. When Rolls Royce engaged David Ogilvy, they did not know his campaign message would be "At 60 miles an hour the loudest noise in this new Rolls-Royce comes from the electric clock", in advance they could not have justified the rejection of other candidates on the basis that someone else would not come up with Ogilvy's famous line, but they knew that they wanted him rather than anyone else.

Q 12. What would be the impact of an expanded Shortage Occupation List on business and the economy?

A 12: I take the question to mean 'what would be the impact of removing the RLMT route to Tier 2 (General), while expanding the Shortage Occupation List'. Such a change would be another step away from market-based capitalism and towards cosy corporatism favouring incumbent businesses over consumers, start-ups, and challenger businesses. It would divert time and effort from productive work and into lobbying (to get jobs put on the Shortage Occupation List) and legal arguments (to argue that a company's particular real-world role fitted into a particular listed shortage occupation). It would also encourage multinationals to move graduate training programmes out of the UK, with knock on effects for businesses within the supply chains supporting such programmes. Finance and IT are both areas that are vital to the UK, generally pay well, require combinations of skills, do not have across-the-sector skill shortages, but do not find re-training to be a practical answer to their hiring needs (a bank needing an Asian utilities analyst can't simply re-skill someone that used to work on the floor of an open-outcry exchange, and a Software house developing force.com applications often cant re-skill an old network administrator or a mainframe COBOL programmer) the impact on these sectors would depend on how the ending of the RLMT was handled, possible scenarios include:

- i. The sectors are largely absent from the shortage occupation list, and there is no 'safety valve' for eg salaries >£41,500. Should this occur there would be significant disruption, erosion of the competitive position of UK business, and pressure to relocate functions outside the UK.
- ii. The sectors successfully lobby to have a large number of roles on the shortage occupation list. Should this occur, and should shortage occupations remain exempt from the RLMT, there could actually be less requirement to advertise roles locally.
- iii. The sectors are largely absent from the shortage occupation list, but a 'safety valve' for eg salaries >£41,500 is put in place. Should this occur, providing the safety valve salary was in the £40-50,000 pa range, the immediate economic problems would be limited, but, as with the mooted greater restrictions on hiring

Tier 2 students after they complete their degrees, the lower rungs of the ladder would be removed from overseas high-flyers, causing the UK to be that bit less open and less attractive to the world's brightest and best.

Q 13. How far in advance can your organisation, sector or local area anticipate a potential shortage in skilled labour?

A 13: In some cases, such as startups, anticipation may be impossible because they did not even exist at the point in time where training of a skill would have needed to have started in order to have the skill on tap when needed. For most established companies, and for the UK as a whole, the problem is not that anticipation is impossible, but rather that the real-world does not follow the course that was forecast/anticipated. In the IT sector forecasting the need for skilled labour is particularly difficult as new, improved, and disruptive technologies, can have large impacts. An organisation can be running a perfectly serviceable IT system, and assume that its needs in terms of IT staffing will involve only support, routine maintenance and occasional version upgrades. However, a strategic review, or a call from a software salesman, could persuade the company to invest in an entirely new enterprise system. Such an investment decision creates an almost immediate need for a new skill set hitherto absent from the organisation. The publisher of the software concerned will offer to handle the whole implementation, but this will tend to be very expensive and it is inherently uncomfortable for a business to embark on such an implementation without an in-house (or, at least a third party advisor) competence to manage the supplier and ensure that costs are managed. Without such competence, a company is entirely at the mercy of the vendor. The Cambridge Judge Business School May 2013 study by K Holgeid and M Thompson 'A Reflection on Why Large Public projects Fail'³ is interesting, as is The 2011 UK Public Accounts Spending

³https://www.jbs.cam.ac.uk/fileadmin/user_upload/programmes/emba/downloads/A_Reflection_on_Why_Large_Public_IT_Projects_Fail_-_Kjetil_Mark_Thompson_s_chapter.pdf

Committee review of central government ICT, they observe a common problem as “*The lack of sufficient leadership and skills to manage IT within the Civil Service, and in particular the absence of an “intelligent customer” function in Departments*” .

Organisations implementing a new technology or system lack the knowledge to be an ‘intelligent customer’, and so must bring in that knowledge from outside. Where new technology was not developed in the UK, that knowledge will usually be found predominantly outside the UK. When a new technology reaches a ‘tipping point’, and the rate of adoption increases very rapidly, the domestic supply of skills is bound to lag demand, so unless the expertise can be brought in from overseas UK companies will either have to delay implementation (and thus the benefits & competitive edge available from what may be a compelling technology upgrade) or will be forced to pay whatever price is demanded by the Vendor for consultancy delivered by its own team (for which Tier 2 ICT visas are likely to be available).

If there is a UK sector amenable to central planning and forecasting, it is health. The science/medicine seldom moves too quickly for upskilling to be an option, there is considerable cooperation and discussion between universities, teaching hospitals, professional bodies (BMA, NMC, etc), and the main employer (the department of health, albeit that it acts through various NHS trusts). Further, the level of income/funding is known well in advance. This should be the ideal test case for using anticipation and training to ensure that the supply of skilled staff is adequate for future needs, yet the NHS sponsors more Tier 2 (general) staff than any other employer.

Consider the area of bank regulation. There are dozens of significant jurisdictions across the world, and with extra-territoriality increasing, the UK offices of a bank may need to comply with legal changes arising from multiple jurisdictions. The USA’s FACTA is one example. Before the act was passed by congress and signed into US law, the exact wording of the regulations were not known, and the initial bill itself might have ended up not being passed at all: large numbers of bills get ‘stuck’ indefinitely at some point of the legislative process. It would be ridiculous and wasteful to suggest that UK banks should employ people to look at the inner workings and debates occurring in dozens of countries, and then to hire/train staff in order to be in a position to comply with what they guess might be the laws eventually passed.

Q 14. Alternatively, is it sensible to leave the present Tier 2 (General) route intact and achieve any reduction in economic migration by raising the pay thresholds only?

A 14: Yes. This route is much to be preferred as the least-bad option. If one must cut skilled migration (which I think is a mistake and not compatible with the UK being an open economy thriving as a magnet for the worlds brightest and best) the advantages of using price as the rationing factor are

- It is simple, and easy to execute. Alternatives may sound attractive, but are likely to be difficult to implement: the road to hell being paved with good intentions
- It avoids forcing trade associations and firms to invest in lobbying, such lobbying is at best the diversion of talent into zero-sum games, but also has the potential to be actively damaging. Companies forced to start lobbying by this issue may

well go on to lobby more widely, which is unlikely to be a positive development: I am reminded of David Cameron's well-judged warning in 2010 that commercial lobbying was 'the next big scandal waiting to happen'. If we approach the regulation of migration bearing in mind the ancient wisdom 'First, Do no harm', then it would be wise to avoid prompting companies to lobby

- It does not divert resources into paying lawyers to argue over whether a job falls inside or outside the Shortage Occupation List
- It allows business to use their own judgement as to what is most needed/most valuable, and gives them the option to get what they need by 'paying up'

Q15. The MAC has been asked how to limit the length of time occupations can be classed as having shortages:

a. How long should any maximum duration be?

A 15 (a) There should be no limit on classification of something as being in shortage. If there is still a shortage of a skill in 2020, and that shortage is objectively provable, it would be ridiculous to pretend that there was no shortage. The question seems to be based on an implicit assumption that an employer or a sector can and should 'put its house in order' during a brief breathing space allowed by a role being placed on the Shortage Occupation List. We do not live in a corporatist centrally planned economy in which government, big employers, and unions get round a table and hammer out UK-wide economic plans. Employers are individual companies. The employers in 2020 needing that skill will include some companies that do not exist today, and which could not possibly have taken steps to build their own talent. They also include companies that, although existing in 2015, do not currently need the shortage skill, or have any reasonable way to predict that they will come to need it in 2020.

b. What, if any, exceptions should there be to this and why? Please provide evidence to support your answer.

A 15 (b) If such a 'sunset' were to be applied generally, we can be certain that the government would exempt senior doctors, and probably other groups of healthcare professionals: not because they have unique attributes not found in roles of comparable seniority in other sectors, but because strict application of the rule here would highlight the fact it does real harm and is unreasonable. Strict application with respect to senior doctors would also lack public support.

Such a sunset would make no sense in a rapidly growing sector. Consider Shale gas, the UK lags the USA in developing this sector, and UK companies often need to hire in expertise from abroad. Yet the sector is developing relatively slowly due, in part, to the intricacies of the planning process. As a result, the shale/fracking roles could be on the shortage list for 5 or even 10 years, during which the absolute numbers of people employed could be very modest: what would then happen if in 2025 the sector started to take off? The demand for shale/fracking expertise would expand quickly and be best met by hiring from abroad. Similar scenarios would apply to other areas where slow initial adoption might culminate in a tipping point when things became mainstream.

If such a sunset must be imposed, the downside could be mitigated were there a suitable 'safety valve' for eg salaries >£41,500 pa.

In IT and in Finance the existence of a sunset on Shortage classification would make it essential to make classifications technology-specific or product specific. This has not generally been done to date, and would be very difficult to implement, but consider the scenario below (which assumes a 5 year 'sunset' on a shortage classification):

- i) In 2015-2020 there is a shortage of Systems Analysts with expertise in SAP FI-GL, FI-AR/AP, and FI-AA modules. These shortages then end, but in 2020 there is a new shortage of Systems Analysts with expertise in SAP CRM, and there is also a shortage of Systems Analysts with expertise in salesforce CRM, and there is a shortage of Systems Analysts with expertise in a new product launched in 2017. The 'Shortage Occupation' designation should never have been applied to 'Systems Analysts' generically, but even if limited to SAP specialists, there would be problems because shortages may be module-specific, and even within particular modules the shortages may be limited to a particular industry vertical sector. A sunset on 'Shortage' categorisation would require such categorisations to be drafted very tightly in order that they did not 'catch' other niches that were not in shortage but might become in shortage at a later date. And, of course,

lawyers would find themselves beginning by trying to argue that a particular role was included within a shortage category, only to find that when the category had reached its sunset, they were arguing that the same role should be considered as not having been included: companies might well choose to change their legal representatives to save a lawyer from having to contradict him/herself (albeit that many lawyers might prefer to live with the philosophical inconsistency rather than see a competitor get the work)

- ii) In 2015-2020 there is a shortage of financial compliance professionals with the US FACTA expertise needed to allow banks to build processes/systems enabling them to meet their regulatory obligations. Then in 2020 the USA and Australis implement new laws on reporting and regulatory compliance. Which sub-niche should have been categorised as a 'Shortage Occupation'? It may be tempting to narrow the 2015-20 specialisation to experts in compliance with the terms of the 2010 US 'Foreign Account Tax Compliance Act', but what about new executive orders relating to the act but issued some years later? If skills relating to each new executive order are subject to a new 'Shortage Occupation' classification, then how meaningful is the 'sunset'? In today's rapidly changing environment, there will usually be a new element of expertise/knowledge required as the years pass by. A sunset clause applied with very narrowly defined niches and sub-niches on the shortage occupation list would de-facto apply only to relatively static slow-moving roles where the state of professional knowledge does not evolve, and certainly not to IT, Law, Accounting, or Finance. If a niche is defined more broadly, then it will be open to being deemed to include more than was envisaged/needed, which might make it too liberal at first, but then make the

sunset unreasonably restrictive if, for example, one of the unintentionally-encompassed roles then becomes the subject of a genuine shortage.

Intra-company transfers

Q16. The Tier 2 (Intra-Company Transfer) category is the most used route under Tier 2. The Government has asked that the MAC consider the scope for action to tighten the intra-company transfer provisions:

a. What criteria should be used to determine eligibility for the intra-company transfer route?

A 16 (a) under the old Work Permit Scheme, the ICT route used to be limited to roles where knowledge/experience of the employer's overseas business was essential for the role. This requirement was abandoned as enforcement was difficult. However, implementation/enforcement difficulties are inevitable if Tier 2 is to be restricted by the use of any tools other than simply raising minimum salaries and/or imposing a fee (such as a skills levy). In the circumstances, it could be reasonable to reinstate the requirement ICT visas be limited to roles where knowledge/experience of the employer's overseas business was essential for the role. Enforcement would probably evolve through meetings with ICT sponsors, an approach that is made practical as a very high proportion of ICT visas are used by the top 20 ICT sponsors.

b. Subject to legal requirements, how can the Government tighten the Tier 2 (Intra-Company Transfer) provisions? Should this route be limited to genuine skills shortages and highly specialised experts only?

A 16 (b) one way to 'tighten' the ICT route would be to remove the present ability of employers to underpay ICT staff. ICT staff do not have to be paid the market rate: they must only be paid at the SOC code minimum, which is the 25th percentile for a typical job within the sector, this is a lot less than the mean, and in no way reflects the premium that may be due for niche skills or a combination of skills. Increasing the required salary to the 50th percentile would help, but as each person's skills are particular to them, the only way to ensure that they are paid the market rate is to have a market – ie allow other employers to compete for those skills. Since April 2011, for roles under £153,500 this has been impossible due to the 12 month cooling off period and the inability to switch in country. Although the changes were meant to cut migration, and do prevent staff from moving from 'temporary' ICT status to Tier 2 General that can lead to ILR, the changes also provide a windfall benefit to employers able to sponsor ICT staff. Unsurprisingly use of Tier 2 ICT visas has expanded significantly since 2011

c. What will be the impact on businesses and the economy of tightening the intra-company transfer provisions?

A 16 (c) If Tier 2 ICT staff can be head-hunted by other employers, the impact will be that ICT staff would be paid more, and the rate of increase in tier 2 ICT numbers would probably be lower. It would also allow local UK companies to benefit from hiring talent previously available only to multinational companies, this would help UK employers,

particularly in the technology sector, and would tend to increase corporation tax receipts as UK-only employers do not have the transfer pricing arrangements used by multinationals. If a restricted CoS were required to hire under Tier 2 (General) an individual previously on a Tier 2 ICT visa, there need be no increase in net Tier 2 (General) migration from this policy change

d. What will be the impact of a cap on the number of migrants a sponsor can employ based on the percentage of each organisation's UK workforce?

A 16 (d) I am considering this question as referring solely to ICT migrants. Such a change would be unfair, impractical, and highly distorting. Consider an Indian software house that genuinely needs to send staff that have worked in its offshore development teams in order to be the onsite link between a UK client and the offshore team delivering a large project, Do we really want to say eg

'while you are an independent company, with a resident staff of 10, you are limited to 50 sponsored ICT staff, but if you sell out to a UK software house with 100 local staff, you can bring in the staff you need'

For some companies the change might be enough to prompt merger activity that is not justified by objective commercial reasons. For others, it might prompt the relocation of functions outside the UK, with associated reductions in UK employment both by the company and its supply chain

e. What impact does the Tier 2 (Intra-Company Transfer) route have on the domestic labour market?

A 16 (e) Its impact is limited

f. Should allowances continue to be included in the salary threshold for the Tier 2 (Intra-Company Transfer) route? If allowances were excluded from the salary threshold, what would be the impact?

A 16 (f). No, unless the allowance is EITHER taxable OR a government-approved tax free benefit such as a pension, childcare vouchers, etc.

It is logically inconsistent to include tax-free allowances for relocation / accommodation / travel as part of the salary threshold. The reason that such things are tax free is that they are accepted by HMRC as wholly, necessarily, and exclusively required to do the job. If that is the case they can not be considered to be of any personal benefit to the individual. If a Home Office official based in Sheffield is sent to London for a 2 day conference, and the Home Office provide a return rail ticket and a room in a Premier Inn, the travel/hotel costs can not be considered to be part of that official's remuneration package: the logic of the situation for an IT professional posted to the UK for 12 months is no different.

g. What is the impact on existing UK companies and UK resident workers of the current intra-company transfer provisions in relation to companies outsourcing contracts with third parties?

A 16 (g) The ICT provisions make it easier for multinational companies to charge less than UK companies employing staff that are paid the local market rate. However, the significance of such 'undercutting' declines as the proportion of the work done abroad increases (ie if 80% of the team are in India, and only 20% onsite in London, the cost saving applies only to the 20% onsite, and is so far less significant than where a project is 50% onshore). Further, it is important to consider the customer as well as those competing to be suppliers: Outsourcing can save UK firms money, thereby making them more competitive, and potentially making the difference between viability and bankruptcy. International outsourcing can be particularly cost effective, as work can be moved to cheaper jurisdictions, it would be wrong to hinder the moving of work abroad by denying ICT visas to the supplier staff needed onsite in the UK, but it is important that such staff are not underpaid, which can only be achieved if other UK employers can head-hunt the staff by offering better pay/conditions. It is also important that there is a level playing field for employers using ICT staff relative to other employers, so ICT staff should pay the same National Insurance as local staff, and ICT visas should be associated with the same fees/taxes (eg the IHS) paid under Tier 2 general.

h. What would be the impact of putting tighter intra-company transfer restrictions on companies which outsource contracts with third parties?

A 16 (h) This would depend on the detail of the restrictions. If ICT staff became subject to being head-hunted by UK employers (using Tier 2 General restricted CoS) then deals could no longer be driven by the ICT supplier's ability to have staff in the UK working for below-market wages.

Specific outsourcing-related restrictions are impractical, not least as modern supply chains are so complex that it can be very difficult to define where the supply of professional services ends and 'outsourcing' begins.

i. What is the impact on existing UK companies and UK resident workers of the use of the current intra-company transfer provisions in relation to the IT sector?

A 16 (i) The current ICT arrangements bestow a number of advantages on ICT sponsors that give them a competitive edge over existing UK companies (beyond any edge that the ICT sponsors may achieve through running an efficient business. The advantages include

- The ability to pay sponsored ICT staff less than the true market rate (due to such staff being 'captive' and unable to change employers in the UK)
- The ability to bring staff from abroad without following the Restricted CoS request process that local companies must follow if hiring from abroad. The Restricted CoS process means that local companies face longer processing times (waiting for the panel

to sit on the 11th of each month adds 1-5 weeks to the time taken to bring people to the UK), and are subject to the annual/monthly quotas that result in a minimum salary that is much higher than that required for an ICT (the quota has resulted in the 'cut off' being up to £46,000pa)

- The ability to bring in staff from abroad without showing that their skills are unavailable in the UK (or that prior experience with the employer is needed to do the job)
- The ability to avoid the IHS that applies under Tier 2 (general)
- The ability to avoid paying UK National Insurance in some cases (particularly prevalent in the case of Indian IT staff: there is no relevant treaty between the UK and India, so both UK employer's and employee's NI is saved and the saving is not contingent on the staff paying social security contributions abroad)
- The ability to have tax-free 'expenses' treated as part of an employees package for the purposes of complying with the SOC minimum salary

What would be the impact of putting tighter intra-company transfer restrictions on the IT sector specifically?

A 16 (i) My answer to (h) above had IT in mind.

We must accept that one result of removing the distortions that favour ICT outsourcers would be an increase in the prices that they have to charge to the UK businesses that are their customers. However, those costs would go variously to the UK government (taxes, fees, National Insurance) or the staff employed

k. Is there a case for requiring intra-company transfer migrants to pay the immigration healthcare surcharge? What are your reasons for or against this? What would be the impact of making these migrants pay this surcharge?

A 16 (k) Yes. Tier 2 migrants have higher salaries than the UK average, and are of a younger demographic than the UK population as a whole, they already pay more in to the NHS and use it less, than residents. The IHS is simply another tax, and not a particularly fair one at that, but if it is going to exist, it should apply equally to Tier 2 ICT and Tier 2 (General). The impact of imposing the HIS on T2 ICT would be to remove the current distortion

l. Would restrictions to the intra-company transfer route have specific regional impacts?

Skills levy

Q17. The Government has asked that the MAC consider to which businesses a skills levy should apply and the impact this may have, balancing the need to maximise the incentive for employers to recruit and train UK workers with the ability of businesses to access the skilled migrants they need. The proceeds of the levy would fund apprenticeships in the UK.

A 17: A skills levy is used in Australia, and may sound politically appealing, but has the potential to involve vast amounts of bureaucracy, arguments about categorisation, and special pleadings for regions/sectors. The skills levy, like the HIS, is a tax, so it is better to admit the fact and get on with it, rather than have lots of complex form-filling. Impose

the tax, put the money into subsidizing apprenticeships, and if Tier 2 sponsors also offer apprenticeships, they can 'get some of their money back' by receiving some of the subsidy in the same way it would be received by any other employer offering apprenticeships.

Imposing a tax on sponsoring expats is one of the least-bad ways to encourage the employment of locals rather than expats. Another way would be to remove the current National Insurance loophole with respect to sponsored staff posted from abroad

a. What would be the impact of different levels of levy on your occupation or sector? Would a skills levy affect the way you recruit?

A 17 (a). £100-400/year would be bearable
 £401-999/year would be steep
 Over £1,000 per year would be very damaging

b. Should a skills levy apply to all businesses recruiting from outside the EEA? If not, to which businesses should a skills levy apply and why? Why should other businesses be exempt from the levy?

A 17 (b) Yes.

- The alternatives are too complex to administer, and would have the undesirable effect of diverting resources into the zero-sum games of lobbying and arguing about categorisations/classifications.
- While it could sound attractive to exempt companies that 'do the right thing' by forecasting future needs, investing and in the training of local staff, when such forecasts and investment is well-judged, it is its own reward. It would be undesirable and distorting to reward ill-judged / misdirected investment: if a company takes on apprentices for roles that are then not needed, why should they be exempt from the tax on then hiring expats to do the jobs that are actually needed.
- Allowing exemptions would not only be invidious, it could distort future policy and public debate by promoting a Manichean bifurcation of employers. The idea that some companies are 'good' and should be exempt, while others are 'negligent' and should be 'punished' is misconceived. As the startup company and fast-growing sectors examples detailed elsewhere in this submission show, it is fundamentally wrong to suppose that the need to hire from abroad could or should have been predicted & avoided.

c. Should a skills levy be a one-off payment at the point of recruitment of a Tier 2 migrant or should it be on an annual basis for the duration of the migrant's stay under their initial Tier 2 visa?

A 17 (c) It should be an annual fee throughout sponsorship, but as sponsored staff (other than Tier 2 ICT) are free to change employers, were the fee to be charged at the time of issuing a CoS there would be a big incentive for companies to hire people only for an initial year, and to extend only on their passing probation. This would clog up the Home Office processing bandwidth, and add greatly to inconvenience. With the IHS, which is personal to the individual, there need be no further payment if the individual

changes employer (as long as the new employer issues a CoS with an end date no later than that of the individual's current leave). What would happen with respect to the skills levy if it had been paid in advance for company A to have a 5year Tier 2 to employ an individual that changed employers after a year?

I suggest that the fee should be payable annually. It would be simple to incorporate into the Sponsor Management System a requirement to make an annual declaration regarding sponsored staff employed during the year, and for the system then to require payment of the fee

d. Would a skills levy have specific regional impacts?

Tier 2 Dependants

Q18. Dependants of Tier 2 migrants, such as partners, spouses and adult minors, presently have the unrestricted right to work in the UK. The MAC is asked to consider the impact of removing this automatic right:

a. How would removing the automatic right of dependants to work affect main applicants' decision of whether to come to work in the UK?

A 18 (a). In some cases, Yes. I estimate that perhaps 15-20% would be affected,

b. How many of your Tier 2 employees bring dependants? If so, do they work whilst in the UK? Are they qualified to degree level? What occupations do they work in? If possible, please specify occupations or job titles according to the SOC 2010 classification.

A 18 (b). I have asked clients to provide this information to you directly

c. How would removing the automatic right of dependants to work impact on:

i. the economy;

ii. public finances?

d. Would removing the automatic right of dependants to work have social impacts?

e. Would removing the automatic right of dependants to work have specific regional impacts?

A 18 (c), (d), (e) Lack of time prevents me covering these areas.

Q19. To what extent do the existing Tier 2 mechanisms and framework work optimally to enable business to bring in the skilled workers that they require?

A 19 Generally they work well, although the process for RCoS is overly long.

Q20. What changes would you make to the design of the route that would address the issues identified and are not reflected in the changes discussed elsewhere in this call for evidence?

I believe that your questions 21-30 (below) are largely addressed by my letter of 3rd July 2015 on the narrower subject of salary thresholds.

21. How do the existing salary thresholds for Tier 2 compare to, and impact on, the overall wage distribution for each occupation?
22. What types of jobs and occupations are done by highly specialised and/or highly skilled experts, and is pay a good proxy for this high level of specialisation or skill?
23. What would be the impact of increasing the thresholds to a level that better aligns with the salaries of highly specialised and/or highly skilled experts?
24. What would be the impact of increasing the thresholds to a level that restricts the route to occupations which are experiencing skills shortages skilled to NQF level 6 or higher?
25. What would be the impact of increasing the Tier 2 minimum thresholds from the 10th to the 25th percentile for each occupation for new entrant workers?
26. What would be the impact of increasing the Tier 2 minimum thresholds from the 25th to the 50th or 75th percentiles for each occupation for experienced workers?
27. As an employer, what would be the impact of increasing the Tier 2 minimum thresholds on: a) hiring migrant workers from outside the EU; b) hiring migrant workers from within the EU; c) hiring natives.
28. Are there additional national pay scales or sources of salary data that should be used to set the thresholds?
29. What other appropriate measures would you like to see for determining the minimum salary thresholds?
30. Should the minimum salary threshold take account of variations in regional pay? If so, how?

I attach a copy of my 3rd July 2015 letter for ease of reference, and thank you for having acknowledged it in the first tranche of your July 2015 report (dubbed 'Little MAC' by professor Metcalfe in his Foreword to the report) . Further to that report, and its analysis at Page 20 in

Table 2.7, I observe that the collection of data has been distorted by a technological feature / limitation of the Sponsor Management System, viz when assigning a Tier 2 (General) CoS one is forced to tick EITHER the 'Shortage Occupation' box OR the 'RLMT' box. When hiring someone on a Tier 1 PSW or Tier 4 student visa, there is no box for 'RLMT exempt non-shortage', so employers are forced to tick the 'RLMT' box and then, in the space provided for details of the advertising, explain that the requirement to advertise has been waived due to the

individual's current Tier 1 or Tier 4 leave. The reason that this is relevant is that it drags down the average salary paid to sponsored staff classed as using the RLMT route: in cases where advertising occurred, the averages would be higher. I believe that this anomaly explains a large part of the difference in salary observed between RLMT route 'In Country' hires and 'Out of Country' hires.

I hope that this letter is helpful, and that the areas of a priori analysis have not strayed too far into the realms of theory.

Yours sincerely

James Wallace-Dunlop
For J Dunlop & Co