

## Response by the Professional Contractors Group to the consultation “**Selective Admission: Making Migration Work for Britain**”

### Introduction

The Professional Contractors Group is the representative body for freelance contractors and consultants in the UK. Our members work in a wide variety of sectors including IT, engineering and oil and gas extraction. PCG has been campaigning for some years on the conjoined issues of work permits and offshoring, mainly from an IT perspective, although engineering has also been affected. PCG is therefore extremely pleased that the government is reviewing the immigration system so thoroughly and that such an open and lengthy debate is taking place.

As well as submitting a response to the questionnaire issued with the consultation document, PCG would like to set out here some further thoughts on the proposed reforms and the consultation document. Both of these responses are submitted alongside the first ever empirical study undertaken into the economic impact of offshoring and the associated issue of work permits. This study has recently been submitted to the DTI and discussed with the economists considering this issue at the Department. We hope that these contributions will be fully taken on board and feel confident that, if they are, the calibre of both the debate on immigration and of any reforms will be substantially enhanced.

### The link between offshoring and work permits

Superficially, the offshoring of the provision of services may seem unrelated to the debate on immigration. Yet both are often undertaken by companies owing to a single fact: overseas workers can supply similar services at much lower costs than UK workers. There is, moreover, a very specific connection: work permits are often obtained by a company in order to up-skill their overseas workers, as part of the preparatory work for offshoring their operations completely. In short, work permits are being obtained in order to train overseas staff so that work can be taken out of the UK. Offshoring and work permits are therefore strongly connected. For reasons that will be set out fully below, PCG is deeply concerned at the impact of both phenomena on the livelihoods of its members and also on the UK's economy as a whole.

### Positive aspects of the consultation document and proposals to be welcomed

In principle, PCG is extremely pleased with the broad outline of the proposed new system. The point-based approach should make it much more responsive and transparent than the systems currently in operation. We agree wholeheartedly with the statement on page 1 that, “The system should... be focused primarily on bringing migrants to do key jobs that cannot be filled from the domestic labour force.” This statement tallies precisely with PCG's basic premises for approaching this subject: its implication is that migration should be utilised primarily and, ideally, solely, for the economic benefit of the UK; and its corollary is that in instances where demand can be met by the domestic labour force overseas workers should not be utilised.

The work permits with which PCG has hitherto concerned itself will be covered by the proposed new Tier 2, for, “skilled workers with a job offer; and workers to meet specific overseas requirements.” PCG welcomes this arrangement for Tier 2, with the following proviso: for an applicant to earn sufficient points for their application to succeed, their skills must be defined as being in short supply.

PCG is aware that, further to the consultation document, there is ongoing debate over whether intra-company transfers should be included in Tier 2 or Tier 5 of the new system. PCG recommends that they should be processed as part of Tier 2, which will ensure that such permits are only issued when genuinely necessary.

### Suggested alternative approaches

PCG would like to suggest several alternative measures that will assist in meeting the consultation document's stated aim of utilising migration for the economic good of the UK.

The first of these is that appropriate minimum remuneration should be stipulated for migrant workers, which reflects the market rate for such work in the UK. This will automatically prevent the unnecessary import of workers in areas where no skill shortages exist and would prevent abuse. Guidelines on appropriate remuneration can be drawn up using existing resources: the Office of National Statistics already measures average salaries and these figures could be further honed using the expertise of the Sector Panels. A similar system operates in Germany.

Another important change that should be made to the approach suggested in the document is that the re-training should be made central to the government's strategy - peculiarly, the consultation document is almost entirely devoid of any mention of retraining. One suggestion for how this might fit into the schemes outlined in the consultation document might run as follows, pertaining to the case study example of Fung Ming on p.20. We suggest that in order for Fung-Ming to receive points for her job offer the employer should identify a resident candidate to be given training in the relevant skills, allocate a budget for the training (including salary to the candidate during the training period) and agree a reasonable time scale for the training. Fung-Ming's visa should only cover that period. If, subsequently, the employer wishes to make a further job offer to an overseas candidate they must demonstrate that the training took place, that the resident candidate replaced Fung-Ming and that they are still in post, have been promoted to another post or have moved on to another employer of their own volition. At the very least this will incentivise employers to develop the skills of resident workers - it might even lead to the discovery that, in cases such as Fung-Ming's, resident workers could be recruited after all. We feel that this would be a very effective method of meeting the tests in 5.8.

The impact of EU enlargement should also be borne in mind: PCG members are increasingly reporting that companies are beginning to "near-shore" operations to the accession states, or alternatively import workers from them. Of course, these workers do not need to apply for visas or work permits. PCG suggests that employers should look thoroughly for workers in the UK in the first instance and elsewhere in the EU in the second: with such a large pool of talent to draw on, there should be little or no need to bring in workers from outside the EU.

We certainly feel that "users" of the system (that is, companies who bring workers into the UK) should be obliged to pay for the system and possibly also to pay a premium on it in the event that they are able to reduce their costs by using migrant labour.

### Proposals of concern to PCG

Concerning the proposals made by the consultation document, PCG has reservations about two major ones and also several lesser suggestions. Our greatest concern is the proposal for sponsorship: this almost seems to have been devised to allow offshoring firms to bring workers into the UK “on the nod” and at the maximum convenience to themselves, with no thought for the wider economic implications. The proposal (1.5) that those who benefit from the system should also be involved in policing it compounds this: the policing of immigration into the UK should be entirely the responsibility of the government. A sponsorship framework which takes full account of shortages and clearly restricts the import of workers in shortage areas will assuage this concern and PCG will look very closely at the fine detail of the sponsorship system when it is published.

PCG understands that the exact form of the proposed Skills Advisory Body has yet to be decided. A great deal of expertise currently resides with the Sector Panels that currently advise on skills shortages: it is extremely important that there should be direct institutional continuity between these panels and the new body so that this expertise is not lost. The ideal solution would be to give the Sector Panels teeth and allow them to draw up the skills shortages lists rather than merely advising on them, all under the aegis of a “joined-up” Skills Advisory Body. The IT panel in particular has developed sophisticated methodologies for measuring shortages and PCG recommends that these are widely adopted across the new body.

The Resident Labour Market Test should be both retained and strengthened. There is plenty of anecdotal evidence that, at present, companies advertise work in obscure publications at low rates which will never attract a skilled worker: when the post duly attracts no applicants, they can then apply to bring in an overseas worker. Certainly PCG members regularly report being unable to find advertisements for engagements that are subsequently offshored, which suggests that the system is not currently working. One way of cutting out this abuse would be to draw up guidelines on the market rates for different types of assignments: jobs must then be advertised within the UK in appropriate publications and at the deemed market rate. Still better would be the establishment of a central online repository for advertisements, so that both the authorities and potential candidates know that the adverts have been correctly placed.

PCG would like an explicit and binding guarantee that IT workers or others with a similar level of skills currently intended to be considered via Tier 2 will never be considered highly skilled workers as defined for the purposes of Tier 1.

PCG is also concerned that the change to a system involving a single, pre-entry check will put decisions in the hands of many staff who do not have any experience or expertise in deciding who enters the UK. It is imperative that they are fully briefed on what types of work are and are not on shortage lists so that they are able to refuse entry to a candidate whose sponsor accreditation is for a post which is not eligible to be filled by an overseas worker.

### HMG's approach: areas of concern

It is a matter of concern to PCG that no empirical analysis of the impact of offshoring and the related use of work permits has yet been undertaken by the Government. The consultation document suffers because of this lack of evidence. This may be why the document gives no consideration to the possible economic downsides of migration. De-skilling of the resident labour force, downward pressure on wages, falling employment levels and the up-skilling of the UK's competitors courtesy of the UK itself are all possible consequences of migration. The document does not consider them at all. So, while the document says that, "it is likely that the benefits outweigh the potential costs," it is unclear what evidence this is based on or even that it is the case at all in many sectors.

In view of this apparent lack of evidence, it is alarming that the consultation document as a whole seems in places to be attempting to "sell" the idea that migration is invariably beneficial to the UK. For instance, the document lacks any case studies of instances in which a worker would be refused entry to the UK. Such case studies might have been useful in illustrating the proposed system further.

It is to be hoped further that the government will officially encourage companies to pursue policies and practices which benefit the UK economy as a whole rather than those which offer short-term gain with an unknown long-term impact. PCG would also observe that the economic wellbeing of the public cannot be directly equated with the profitability of large companies, although one would expect some indirect relationship to exist. As our study submitted alongside this document suggests, it is open to doubt whether offshoring offers meaningful gains to companies even in the short term.

### The consultation document: areas of concern to PCG

Some parts of the consultation document reach conclusions that are not substantiated by the evidence offered in support of them. The panel dealing with IT on p.8 is a good example of this. The claim that, "migration will be key to driving the future growth of the IT industry," is wholly false: the IT sector in the UK contains a large number of highly skilled professionals and there is seldom any need to import overseas workers. IT skills exist in abundance in the UK and overseas workers are currently being imported largely because they cost less in the first instance. Jobcentre Plus's own figures show 35,000 IT professionals claiming Jobseeker's Allowance in the first quarter of 2005, a trend which is slightly on the increase: redundancies in IT are currently running at 25 per thousand, five times higher than the national average.

The figures offered in the panel further undermine the central assertion, rather than strengthening it. If 13% of firms reported gaps in the skills of their IT professionals, that means that the vast majority, 87%, did not. Nor does it follow that remedying the remaining 13% can only be achieved by importing overseas workers: re-training existing IT workers would very often be a far more sensible solution. The statistic that 16% of firms reported a skills gap in terms of workers who use IT as part of their jobs is meaningless: this can include the most basic use of a computer and in no way substantiates the claim that the IT sector itself requires an influx of migrants to survive. In addition, the figure of 16% means that 84% did not report such a problem - again, the clear majority.

Worst of all is the chart illustrating that 17% of work permits issued in 2000-2002 were for IT. As observers who have followed this issue will be aware, 2000-2002 was a period of record unemployment in the IT sector. IT was therefore removed from the skill shortage list in 2002, largely due to arguments made by PCG. It is disappointing to find a government department issuing statistics in such a misleading way.

Statistics offered on p.4 similarly fail to support the conclusions drawn from them. In the period from 2003, the increase in immigration is described as “gradual”; yet the year-on-year increase in the number of work permits issued was over 10%, which by any sensible measure is not gradual, but large. Since 2003, the document states that the rate of growth has levelled off: it must be noted that the actual number of work permits has not levelled-off, but is still growing. On the same page, the international comparisons are almost totally inappropriate: Australia, New Zealand, Canada and the USA have all historically built their economies and societies on immigration, unlike the United Kingdom. Germany, meanwhile, has a long land-border with Eastern Europe, so is bound to attract more migrants than the UK; the same point extends in a lesser degree to France, whose land borders are similarly bound to lead it to have a higher level of immigration than the UK. So, while section 2.4 claims that Britain has a smaller foreign-born population than any comparable nations, the comparisons made are of dubious validity.

The assertion on p.7 that migrant workers do not compete with UK workers is also untrue. An abundance of anecdotal evidence from PCG members and others exists which clearly illustrate the phenomenon of overseas workers being brought in to replace UK workers directly. The lack of research into these issues already noted most probably explains the inclusion of this assertion in the consultation document.

PCG agrees with the government’s objective as stated in section 5.3 of, “increasing the dynamism, productivity and flexibility of UK workers and businesses.” The UK’s freelance consultants and contractors represent the most dynamic, flexible and productive workforce in the UK, and importing overseas migrant workers at the expense of the many IT contractors currently not in work cannot possibly assist in achieving this objective.

## Conclusions

PCG feels, overall, that the proposed points-based system has many virtues, not least that it will be flexible, responsive and easily manageable. A risk exists, however, that a good system could be put to bad use. We agree that immigration should be managed for the economic benefit of the UK and that an evidence-based approach should be adopted when taking decisions on how best to do this. We feel that, in light of this, the government’s approach would benefit from further consideration of available evidence. Immigration should be used as a last resort, when the desired skills genuinely cannot be found within the UK or EU, and only after genuine efforts to find these skills within the UK have been undertaken. The UK’s contractors are a vital part of the dynamic, flexible and productive workforce which the consultation document seeks to promote: this workforce will be seriously damaged, and its skills allowed to go to waste, if firms are allowed to turn to cheap overseas skills as a first resort.