

**Independent Commissions and Labor  
Migration:  
The British MAC**

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## Highlights

- Migration Advisory Committee (MAC) created in 2007 to answer 3 S questions: skills, shortage, sensible
- Supply (points) versus demand (employer-led) approaches to adding workers via migration
  - Supply: highly educated but can be brain waste
  - Demand: migrants get jobs, but may have restricted mobility
- Labor migration poses trade offs between competing goods (London care givers) that the MAC can highlight but not resolve

## Migration = Economic Good

- Migration expands employment and economic output; net benefit to residents is small (<1% of GDP)
- Major “winners” from migration are migrants who earn higher wages; spillover benefits to employers, complementary workers, spending multipliers, perhaps diversity
- Managing migration generally means spending tax monies to monitor borders and interior—to hold migration below levels that would occur without regulation

## Supply versus Demand Admissions

- Supply: use point systems to select newcomers who add the most to a nation's human capital
  - Get adult immigrants who average more education than native born adults (Canada)
  - Potential brain waste (doctors drive taxis)
- Demand: employers request visas for particular foreigners
  - Ensures that newcomers have jobs
  - May restrict migrant freedom in labor market, could lead to a migrant labor treadmill for SOME employers
  - Employers may “reward” good temporary workers

## Management Mechanisms: Attestation

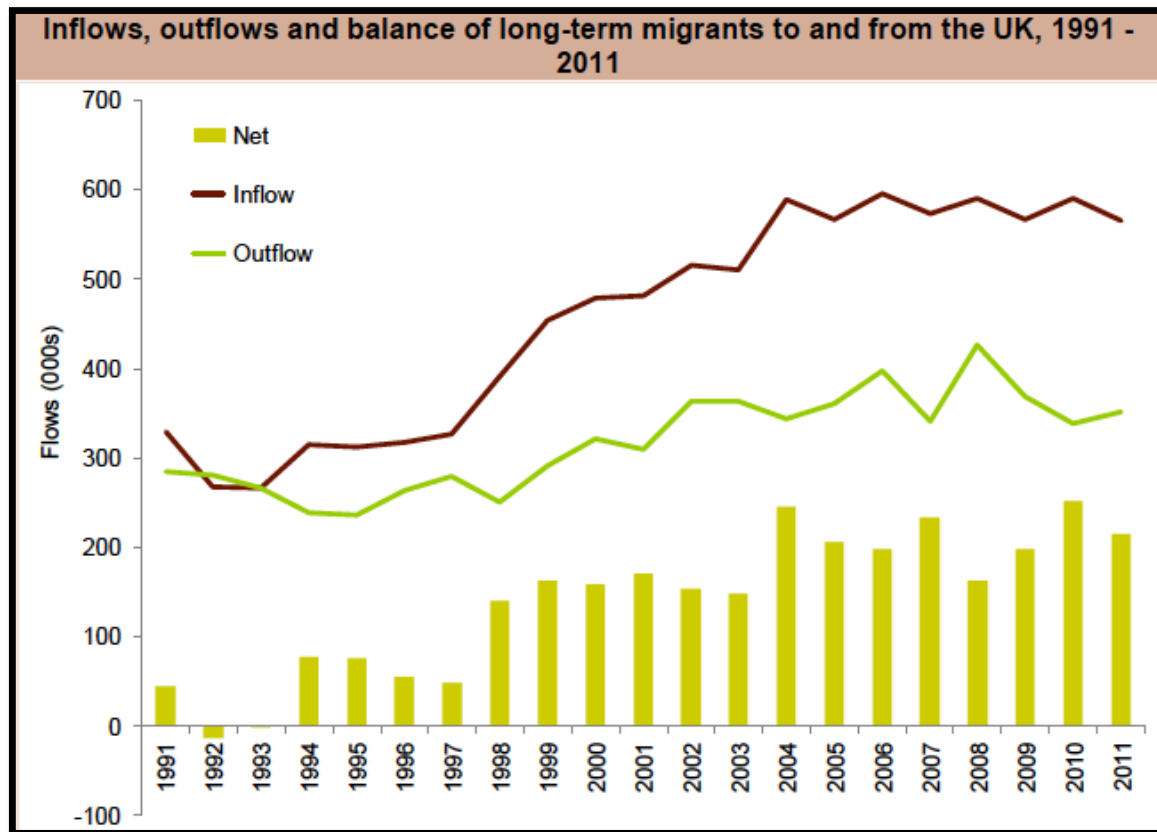
- Attestation: trust the employer (H-1B), but cap
  - Employers make promises over the internet; over 99% DOL approval within seconds
  - 1990 theory: 65,000 was 3x then 20,000 demand; quick jump for fast-growing IT until more US trained
  - Reality: took until 1997 for 65,000 visas to be requested, and employer requests kept rising
  - New kinds of employers: outsourcers & body shops
- Lessons: economics works—US & foreign employers respond to incentives. As technology allowed more jobs to be out-sourced, they were

## Management Mechanisms: Certification

- Certification: show US workers not available, no cap
  - Assume employers can usually find US workers
  - If employer anticipates labor shortage, request certification of the shortage via recruitment at specified wages & provision of housing
  - Employers: H-2A too bureaucratic, but >95% employer requests approved, often U rates are >12%
- Lessons: in an ag labor market where 50-55% of workers are unauthorized, many employers prefer unauthorized to H-2A workers. Who hires H-2As? Where need justifies extra costs.

## British Migration Advisory Committee

- Context: 1997-2007, Labor govt opened doors, no restrictions on A8 migrants after 2004; estimate: 15,000 arrive; reality >800,000
- Govt: reduce entry channels from 80 to 5, create MAC to provide independent expert advice on government-posed questions
- Tier 1: highly skilled, supply or points approach
- Tier 2: skilled with British job offer—demand
- Tier 3: low skilled (not used)
- Tier 4: foreign students (>200,000)
- Tier 5: other temporary migrants (WHMs)



Name of tier	Immigrant groups covered by tier
Tier 1	Investors, entrepreneurs, and exceptionally talented migrants.
Tier 2	Skilled workers with a job offer in the UK.
Tier 3	Low-skilled workers needed to fill specific temporary labour shortages. Tier 3 has never been opened.
Tier 4	Students.
Tier 5	Youth mobility and temporary workers. This route is for those allowed to work in the UK for a limited period of time to satisfy primarily non-economic objectives.



## MAC and Tier 2

- Tier 2 entry channels. Employers request non-EU migrants (mostly with BAs) to fill jobs:
  - in labor-short occupations (no labor market test)
  - other jobs (labor market test)
  - As intra-company transfers (salary test)
- What is a labor-short occupation? MAC's 12
  - Three price-based indicators, e.g. wage growth
  - Four volume-based indicators, e.g. growth in employment or the unemployment rate
  - Three employer-based indicators, e.g. employer reports of labor shortages, and
  - Two other indicators, including job vacancy data

## Tier 2 Top-down Indicators

- Top down: labor shortage if indicator passes a “median plus 50 percent of the median” test
  - Median wage increase for all occupations = 2%
  - Median wage increase for IT = 3.5%
  - IT passes one of the 12 indicators of shortage
- Few labor-short occupations where at least 6 of 12 indicators show shortage
- Bottom up: consider evidence submitted by employers, unions, others
- Most labor shortage determinations are based on bottom up evidence

# Top-down indicators: Pharmacists fail 50+50 test

Top-down data							
2213 Pharmacists/pharmacologists							
Skilled		Skilled in top-down analysis (as calculated for our September 2008 report)					
SOC skill level classification	4	Median hourly pay for all employees		£18.01			
Percentage of employees with NVQ3+	92.6						
Shortage		Excluding NESS, occupation passes 4 out of 12 valid indicators					
Indicators	Apr 09	Sept 09	Spring 10	Indicators (continued)	Apr 09	Sept 09	Spring 10
P1 Annual percentage change of median hourly pay for all employees	2.3	2.3	11.1	V2 Annual percentage change in employment estimates	-10.4	-12.0	-8.6
P2 Annual percentage change of mean hourly pay for all employees	3.6	3.6	14.8	V3 Annual percentage change of median total paid hours	0.0	0.0	0.0
P3 Return to occupation, given NQF3, with age and region controls	0.41	0.76	2.09	V4 Absolute change in proportion working for employer under 1 year	-0.02	-0.05	-0.03
I1 Absolute change in median vacancy duration	2.2	-29.3	-8.3	E1 SSVs as a percentage of all vacancies	18	x	10.7
I2 Live unfilled vacancies/unemployment by sought occupation	0.36	0.35	1.07	E2 SSVs as a percentage of hard-to-fill vacancies	100	x	55.5
V1 Annual percentage change in unemployment by sought occupation	17.9	86.8	48.5	E3 SSVs as a percentage of total employment	0.09	x	0.1
Sensible indicators	Apr 09	Sept 09	Spring 10		Apr 09	Sept 09	Spring 10
Percentage of workforce born non-EEA	12	13	20	Percentage of workforce trained in past 13 weeks	50	54	62

## US: Similar Experience with Top-down Indicators

- Veneri (1999 MLR): Labor-short occupation if:
  - Employment growth in the occupation was >50% of average employment growth in all occupations
  - Wage increase is >30% more than for all occupations
  - Unemployment rate is at least 30% below average for all occupations
- Anecdote and data for 68 occupations (1992-97):
  - 7 of 68 occupations satisfied the 3 shortage criteria, but only special ed teachers satisfy the data AND have bottom up evidence
  - Computer occupations, RNs, crafts did NOT satisfy the 50+30+30 criteria

# US occupations that satisfy 50+30+30 test, 1992-97

## Only Teachers, special ed, satisfied test & had bottom up evidence

**Table 1.** Occupations with above-average employment growth, above-average increase in earnings, and below-average unemployment for the 1992-97 period

[Numbers in thousands]

Occupation	Employment data from the Current Population Survey (CPS) <sup>1</sup>							National Industry-Occupation Employment Matrix Time Series <sup>2</sup>	CPS <sup>1</sup>	
	1992	1993	1994	1995	1996	1997	Percent change, 1992-97		Median weekly earnings (current dollars)	Unemployment rate
								Percent change, 1992-96	Percent change, 1992-97	Average, 1995-97
Total, all occupation .....	108,182	109,656	112,232	114,262	116,040	118,874	9.9	9.8	13.0	5.1
Management analysts .....	132	141	176	205	218	242	83.3	7.8	17.9	1.8
Teachers, special education .....	267	284	308	310	340	384	43.8	13.9	24.2	1.6
Dental hygienists .....	73	76	95	94	94	105	43.8	23.2	19.6	1.1
Managers, marketing, advertising, and public relations .....	505	482	554	654	644	702	39.0	9.5	19.8	2.3
Airplane pilots and navigators .....	93	97	103	113	113	117	25.8	30.7	21.9	1.1
Purchasing agents and buyers, n.e.c. ....	218	256	225	256	247	266	22.0	1.9	17.7	2.5
Mechanical engineers .....	299	291	334	324	346	347	16.1	.8	18.3	1.6

<sup>1</sup> The Current Population Survey (CPS) is a nationwide household survey, conducted each month by the Bureau of the Census for the Bureau of Labor Statistics.

<sup>2</sup> The National Industry-Occupation Employment Matrix Time Series is based on data from the Occupational Employment Statistics (OES) survey, a periodic mail survey of nonfarm establishments that collects occupational employment data on workers by industry.

NOTE: Data are for all wage and salary workers; earnings data are for full-time wage and salary workers only.

# US occupations that did NOT satisfy 50+30+30 test, 1992-97

**Table 2.** Employment, wage rates, and unemployment rates for selected occupations for which anecdotal evidence suggests a shortage, 1992-97

[Numbers in thousands]

Occupation	Employment data from the Current Population Survey (CPS) <sup>1</sup>							National Industry-Occupation Employment Matrix Time Series <sup>2</sup>	CPS <sup>1</sup>	
	1992	1993	1994	1995	1996	1997	Percent change, 1992-97		Median weekly earnings (current dollars)	Unemployment rate
									Percent change, 1992-97	Average, 1995-97
Total, all occupations .....	108,182	109,656	112,232	114,262	116,040	118,874	9.9	9.8	13.0	5.1
Computer systems analysts and scientists .....	663	726	867	882	1,033	1,175	77.2	38.2	13.3	1.4
Computer programmers .....	537	565	523	533	541	609	13.4	2.2	22.6	1.7
Registered nurses .....	1,785	1,844	1,936	1,961	1,971	2,043	14.5	7.8	7.3	1.5
Carpenters .....	844	867	902	928	908	1,015	20.3	15.3	13.4	10.9
Electricians .....	605	610	607	670	702	722	19.3	11.8	13.5	5.0
Plumbers, pipefitters, and steamfitters .....	368	366	435	434	484	476	29.3	9.5	17.8	7.3

<sup>1</sup> The Current Population Survey (CPS) is a nationwide household survey, conducted each month by the Bureau of the Census for the Bureau of Labor Statistics.

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## **Bottom-Up Indicators**

- Feb 2013: About 180,000 workers are employed in shortage-list occupations, down from 1 million in 2008, that is, MAC reduced shortage occupies
- Bottom up: consider evidence submitted by employers, unions, others
- Most MAC labor shortage determinations are based on bottom-up, not top-down evidence

**Table 3.2: Our key criteria for assessing bottom-up evidence when assessing whether it is sensible to fill shortages with immigration**

Key criteria for sensible	What change might indicate sensible?	Bottom-up examples
<p><b>Alternatives to employing immigrants:</b>            What feasible alternatives to immigration have been considered?            Are there obstacles for employers in pursuing alternatives to migration?</p>		
<b>Recruitment efforts</b>	High or increased spending and investment in recruitment	Spending on advertising, using different channels, using different labour pools e.g. unemployed, part-time workers
<b>Attractiveness of employment package</b>	Increased incentives for the current workforce to remain in occupation and for new recruits to enter the labour market	Holiday allowances, bonuses, other benefits
<b>Increased working hours</b>	Increased working hours of current workforce	
<b>Capital substitution</b>	Increased investment in technology to make production less labour or skill intensive	Installing labour-saving machinery
<b>Changing production methods</b>	Changed production methods to make production less labour or skill intensive	Restructuring the production line
<b>Outsourcing or off-shoring</b>	Increased use of contracting in or of overseas sites	Evidence that employers are doing this
<b>Current use of immigrants</b>	High use of immigrants may mean it is difficult to respond to shortage in other ways, but may also mean employers aren't doing enough to upskill UK resident workers.	Current use of immigrants



## MAC after 5 years

- Independent MAC has earned a reputation for:
  - Careful analysis, evidence-based recommendations
  - Willingness to consider both top-down and bottom-up evidence
- MAC has improved the quality of the debate over foreign workers
  - Sensible criterion allows finding of labor shortage but no recommendation for more migration
  - Make trade offs explicit: taxes & wages with London care givers
- MAC finding can trigger other govt actions, including more training

## Conclusions

- How should govts respond to labor-shortage complaints?
  - Supply approaches: add human capital, but newcomers selected via points may leave unfilled jobs, brain waste
  - Demand approaches: admit the migrants employers want to hire; tie to employer?
- MAC & commissions can:
  - Develop definitions and measures of shortages
  - Clarify the trade offs involved in migration policy
- MAC & commissions can NOT make the trade offs