



7 September 2010

Response to the UK Migration Advisory Committee on the level of an annual limit on economic migration in the UK

1. Introduction and context of our submission

Permits Foundation is a corporate initiative that supports international mobility by promoting open work authorisation for expatriate spouses and partners worldwide. This issue is a concern to international companies and organisations which, in view of the increasing number of dual careers, experience work permit restrictions for partners as a serious hurdle to employee mobility, diversity and equal opportunity. It is an issue that affects men and women of all nationalities, including British families abroad, in both the private and public sectors.

More than 40 major international companies and organisations support Permits Foundation, which is independent and not-for-profit. <http://www.permitsfoundation.com/sponsors.htm>

In line with our primary goal, the trigger for this submission is to answer your question on dependants. At the same time, the prospect of caps on Tiers 1 and 2 (particularly intra-company transfers) has generated such concern among our sponsor companies that we respond also to your wider questions so that you can view our answer on dependants in its full context.

For many companies, both UK-based and international, the UK is a major hub for knowledge transfer and global business expansion. To benefit from this, the Government must maintain an attractive climate for international investment and the highly skilled employees and their families who come to live here temporarily. We believe that the introduction of restrictive quotas on highly skilled business migration risks smothering the UK's economic recovery and damaging its competitive position longer term.

Permits Foundation sponsors are blue chip international companies. An illustrative cross section shows that 13 of them employ at least 1.4 million employees worldwide, of which 200,000 in the UK, including some 2100 PBS migrants, which is less than 1 per cent of UK staff. Even including EU citizens, the total proportion of expatriate staff employed is around 1.5 per cent across the board, although certain business sectors such as the oil industry tend to have higher percentages. Most of these companies also employ a significant number of British staff outside the UK under international mobility policies to transfer knowledge, skills and technology in their group. International development opportunities for British staff in turn benefit the UK economy when these staff return home.

It is important to recognise that the global mobility policies imply a degree of interdependence between countries in the number and timing of international assignments, which fluctuates as business needs change. Employers sense a serious risk that an adverse immigration climate in the UK will damage the country's reputation as a global business hub and spill over to other countries where British staff are assigned. This could cause a double rebound for the UK economy, reducing interest in inward investment from overseas companies and reducing prospects for British staff to work abroad.

The global and UK employment figures above also illustrate another hard fact. While the UK is currently a major hub, it is far from being the only one. In the sample shown, less than 15% of these companies' global manpower is employed in the UK. Companies have a range of options for relocating operations if it becomes too difficult to transfer staff to the UK.

2. Response to the questions of the Migration Advisory Committee (MAC)

Q 1: What factors should the MAC take into account in order to inform its recommendations for Tiers 1 and 2 in 2011-12, when assessing the impacts of migration on:

- the economy
- provision and use of public services
- wider society.

We suggest that the MAC take the following factors into account:

with respect to the economy:

1. the broad level of investment that an employer (group, or even sector) makes in the UK and the impact this has on the economy.
2. Tier 1 and Tier 2 employee salary levels, in order to calculate a fiscal contribution per company. From this can be deducted any burden placed on public services to arrive at a net contribution.

As an example of a fiscal contribution to the UK economy, one large company estimated the total UK income tax and National Insurance bill for its non-UK staff to be approximately £100 million per annum. Another large international company estimated the combined tax and national insurance contribution for an average intra-company transferee to be £134,000 per annum, which is at least three times that of an equivalent local employee, for example:

	LOCAL EMPLOYEE	EXPATRIATE (PACKAGE INCL. HOUSING)
TAX	£ 23,504.35	£ 97,068.86
NI	£ 15,261.56	£ 36,670.74
Total to HMRC	£ 38,765.92	£ 133,739.6

3. annual budget for training costs for UK employees.
4. skills brought in that are in short supply in the UK.
5. the incentive for foreign businesses to invest in the UK as a result of being able to transfer or have access to highly skilled foreign employees.
6. the role of highly skilled ICTs in transferring knowledge, skills and technology to the UK economy.
7. Higher levels of disposable income through higher salary levels. (Although it is hard to establish how much of this is spent in the UK, it is undoubtedly a factor, for example, in housing and private schooling.)

Whilst we are against caps in principle, we regard it as essential that companies or sectors that can provide performance indicators based on factors such as above would be exempt from any cap on Tier 1 and Tier 2 migrants, or at least ICTs and shortage occupations. In effect, this could create a points system for employers and the basis of a highly trusted employers' scheme.

With respect to the use of public services:

The government's proposal to consider a cap is based on the premise that *“unlimited migration places unacceptable pressure on public services, school places, and the provision of housing, all of which causes problems for certain local communities.”*

We refute this point strongly with respect to Tier 1 and Tier 2 migrants, and particularly for the Tier 2 ICTs. Under current regulations, PBS migrants are not permitted access to public funds. In addition, the MAC should consider:

- the percentage of Tier 1 and Tier 2 migrants that have private health insurance
- the percentage of Tier 1 and Tier 2 migrants that send their children to private schools in the UK.

Regarding private health insurance, separate surveys by both ECA International and ORC, a Mercer Group company, indicate that 98-99% of employers surveyed in the UK provide expatriate staff access to private medical care either through insurance or reimbursement of costs.

Regarding housing, according to ECA's 2009 global expatriate salary management survey among 250 organisations, 70% provide free housing and only 5% provide no housing assistance.

Regarding schooling, the same ECA survey of 250 employers showed that over 80% give international assignees financial assistance towards children's education, mostly in international and private schools. In ECA's 2010 survey of UK employers, 97% of employers pay between 50-100% of children's education costs. A recent ORC survey showed that 53% of companies **worldwide** always contribute to the educational expenses of schoolchildren and 45% provide assistance if no suitable free education is available.

with respect to wider society:

Tier 1 and 2 migrants are highly educated, are proficient in English and contribute to the UK's cultural diversity and understanding. When ICTs return to their own country, they have the potential to take away a lasting positive impression of living and working in the UK that not only provides the corporate glue that binds companies together but can also have positive effect on international relations generally. This applies similarly to British staff who benefit from a foreign posting and return to the UK.

We comment further on wider societal implications in Q 7 on dependants.

Q 2: How should the MAC measure or assess these impacts?

We would suggest that the first 4 economic factors mentioned above could be measured for individual companies or business sector. Similarly, companies may be able to provide a broad picture of their expatriate employees' use of certain public services. For the other softer factors, measurement is more difficult, but it may be possible to assign a broad value or scale according to the quality of evidence provided (no evidence, some evidence or considerable evidence.)

For intra-company transferees, companies providing free or subsidised expatriate benefits of housing, schooling and medical insurance should be able to give statistical information. However, for Tier 1 employees coming to the UK 'under their own steam', these benefits may not be provided by the company or in the case of health insurance, only via voluntary contribution to private health insurance. Thus an employer may not know which type of school the children attend or whether the family has private health insurance. Privacy issues need to be assessed and as well as any risk of indirect discrimination.

In all of this, we want to keep the administrative burden to an absolute minimum. However, we believe certain factors can be assessed and that international employers would be prepared to provide a self-assessment if a trusted sponsor scheme were offered to gain exemption from caps.

Q 3: How should the MAC trade off, prioritise, and balance the economic, public service and social impacts of migration?

Whilst employers are opposed to caps on business employment migration (particularly Tier 2 ICTs), we feel it would be reasonable to ask employers who sponsor ICTs to demonstrate by way of a policy statement, commitment or examples that their ICTs make a positive fiscal contribution to the UK that outweighs any negative impact on public services. Employers who can demonstrate this on a regular basis, as well as providing good performance indicators on UK staff training practices, and exemplary compliance with immigration procedures, should be eligible for a status as highly trusted sponsors and exempted from any cap.

Q 4: To what extent and how quickly can alternatives to employing Tier 1 and Tier 2 migrants, including training and up-skilling of UK resident workers, reduce reliance on such migration? What can Government and other bodies do to facilitate this?

This is difficult to predict. The sponsors of Permits Foundation are all blue chip companies that have strong policies of training and staff development, which are independent of the volume of migrant labour. They train staff because it is good for performance, good for employee motivation and development and good for business.

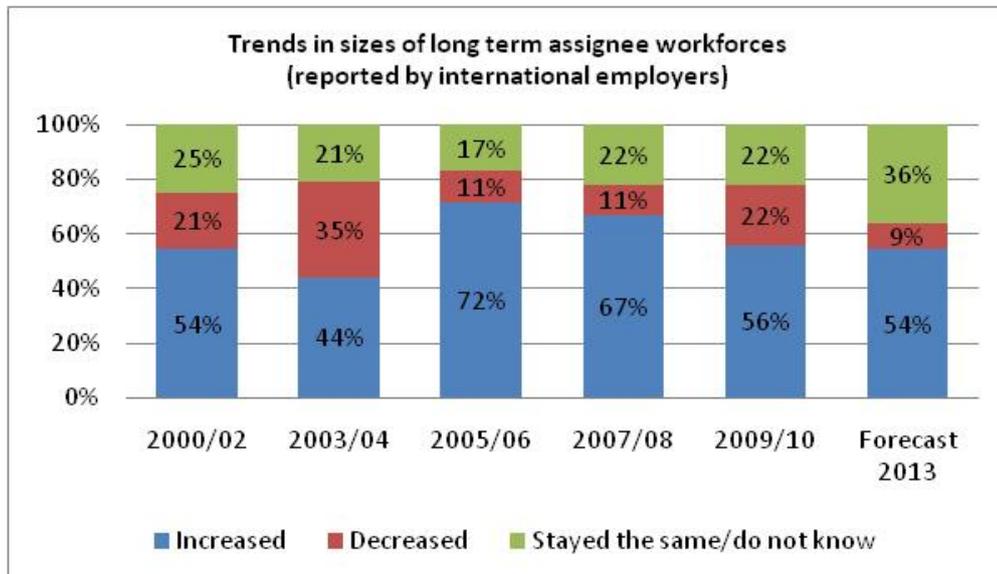
At the same time, companies employ a small proportion of expatriate staff not only to fill vacancies but also to transfer knowledge, skills and technology, to develop management potential for a global business, to encourage diversity and to create the 'corporate glue' that binds global companies together. Any expectation that a restriction on access to ICTs may lead to a corresponding increase in training of British staff misses the point that many of these ICTs are needed precisely because they are 'outsiders' rather than because of a lack of trained British workers.

Employing internationally assigned expats (as opposed to locally hired international staff) is expensive. Employers don't do it unless there is a clear business case.

Q 5: What trends do you expect to see over the lifetime of the Parliament in non-PBS migration, including of British and European Economic Area (EEA) citizens? Will limits on non-EEA migration affect this? Please provide reasons.

There is a lack of comparative data in this area.

In Spring 2010, ECA International conducted a survey among 309 international companies, asking them to forecast the numbers of long term (1-5 years) international assignments in their **global** expatriate populations between 2010 and 2013. Of the respondents, 55% predicted an increase, 9 percent a decrease, 20% predicted no change, and 16% didn't know. According to ECA, although the forecasts are broadly positive, they are less so than in previous years and there is a high minority (45%) forecasting either a 'decrease' or 'no change' or 'do not know'. More detailed analysis revealed that British companies were more optimistic (58% predicting an increase) than Western European companies (49% predicting an increase). Comparisons of the forecasts with actual changes reported in previous years show how quickly sentiment and actual figures can change. This suggests that companies must respond quickly when business needs change. The percentage of companies that forecast either 'no change' or 'do not know' between 2010 and 2013 is higher at 36% than the corresponding figures for actuals in previous years back to 2000.



Apart from the above employer survey, the latest data from the Office of National Statistics showed a fall of 36,000 in the annual number of British citizens emigrating from the UK. As the world economy picks up, one might expect this to increase again.

With respect to migration from the EU to the UK, we also noted the latest figures showing that the initial surge of migration from new member states has receded, partly driven down by the economic crisis, and possibly by the gradual removal of transitional restrictions across Europe. We expect that migration from the new member states will settle at a lower equilibrium once economies in the home countries pick up, encouraging nationals to return or remain at home.

It is possible that limits on non-EU migration might lead to an increase in migration from the EU, but probably only in respect of vacancies where there is a skill shortage. The levels of ICTs are more driven by getting the right person in the job to meet both business and development needs. If a Chinese citizen is needed to transfer in-company knowledge or technology from his or her local division to the UK, they are unlikely to be replaceable by an Italian.

Q 6: The stock of main (non-dependant) migrant workers under Tiers 1 and 2 is determined by (i) new migration from outside the UK and (ii) extensions and switching between routes by migrants within the UK. If migration is to be reduced, do you most favour achieving this via cuts in (i) or (ii)?

We regard both as equally important.

Q 7: To what extent should reductions in flows through Tiers 1 and 2 be met through reduced migration of dependants? Should dependant numbers be reduced by proportionately more than those of main migrants?

Our firm view is that dependants should be excluded from any cap. Ensuring that employers can choose the best person for the job, irrespective of family size or composition, is what will add most to the UK economy.

We also believe that there is a fundamental right to respect for family and private life and to marry and found a family without discrimination. These rights are embodied in the European Convention of Human Rights and transposed into UK law through the Human rights Act 1998. We believe that any system or cap that restricts or discourages migrants' access on the basis of family status or encourages access to a migrant with no dependants would be challenged legally.

In addition to these fundamental principles, we maintain there would be huge damage to the UK's ability to attract highly skilled employees if they were not certain whether their family could accompany because of a cap on numbers.

Although your question does not touch on the right of dependants to work, we feel we should comment on this essential element of UK migration policy. As you already know, in 2008 Permits Foundation conducted a global survey of the employment aspirations of 3300 spouses and partners and the impact this has on international mobility. At that time, there was no question about the basic right to accompany and the survey concentrated on the issue of access to employment. Almost 60% of respondents said that they would be unlikely to relocate to a country where it is difficult for a spouse or partner to get a work permit. A majority of spouses and partners said that their own employment and career was important in the decision of the family to relocate. This was even more significant for younger age groups, those with a university degree, male spouses and university graduates and unmarried partners. Moreover, around a quarter of international staff had either turned down a previous assignment or terminated an assignment early because of concerns about the partner's career. These figures are likely to be the tip of the iceberg because the survey only questioned those who were already on assignment. Moreover, the problem is likely to increase over time as demographics change. This indicates the challenge that both employers and countries face in attracting the 'brightest and the best'.

Wider society issues with respect to dependants

The survey also looked at wider social issues such as the impact of working on adjustment to the host country, family relationships and health or well being. Whilst a majority of those surveyed wanted to work, others were very happy to take a career break, for example to raise children. However, there was a clear link between working and positive feelings about the assignment. Spouses who were working were more likely to report a positive impact of working on adjustment to the host location, family relationships and health and well-being than spouses who were not working. Moreover, 30-40% of not-working spouses reported a negative impact of not working on these same factors.

Thousands of individual comments from current accompanying spouses bore testimony to both the economic and wider societal implications of access to employment. The vast majority of respondents were highly educated with 36% holding a bachelor's degree, 40% a masters degree and 6% a doctorate. 85% of them were women.

"Both my partner and I have invested a lot in our education and career and either one of us could be offered an international job. We would only accept if we were fairly sure that both of us could work. As an absolute minimum we would need to know that whichever of us is 'accompanying' could get a work permit."

"If I work, I will make best use of my skills, pay income tax and have more money to spend locally."

"The implications of not working on my health (especially mental health) are so vast that I will never consider to relocate to such a country (where is not possible to get a work permit – ed.). I was unemployed for 1 year when I came here and that was the most miserable year in my entire life. I will not repeat that, and my husband stands by my decision."

"I have been an expatriate for more than eight years. Being able to work and contribute is vital for me. Not having a job generates a lot of stress for me and therefore for my family. Not only for economic reasons, is it absolutely much more than that."

"It puts a tremendous strain on a marriage when one career is "more important" and that carries over to the employee's job performance when the home life is unhappy."

"I decided to follow my husband...to keep our family balance and I hoped to share my personal expertise in the host country. Now I feel guilty ... because I cannot make my expertise available.... and I cannot continue to grow in my own development."

"There is serious depression, insecurity, loneliness, boredom, and a feeling like no one understands - it takes the help of others who have been through it.....No one prepares the employed spouse how to deal with or understand the misery of the unemployed spouse, which doesn't help."

"Now that I am back in the workforce and have resumed my career, it would be psychologically very difficult to take another break. It would be very hard for me to go to a new location where I couldn't work..... It has made an incredible difference to how my children see me (a mother, a wife, and now a professional) and to their expectations of what they, as women, will be able to do with their own lives. My daughter's comment to me - "I didn't realise girls could work too Mum"- was a huge wake-up call. Our wonderfully tolerant, versatile expat children shouldn't have their world view limited in this way".

This last comment, which we are pleased to say was from a non-European spouse who was able to return to work when she moved to the UK, shows how the issue has implications far beyond the immediate economic pressure to attract the brightest and the best. Any erosion of work authorisation for dependants would be an affront to personal dignity and equal opportunity in a modern society, impacting on generations to come.

A condition of being granted a permit as a dependant in the UK is that they have no recourse to public funds. This creates a potential win-win situation for the economy. If spouses work, they contribute to the economy and if they don't work, they are no drain. The generally high level of education that spouses have and the ability frequently to speak several languages means that they complement rather than replace British workers.

Permits Foundation makes a strong plea to the MAC to urge the UK government to retain its policy of allowing dependants to work. The UK's practice in this regard has long been a model of best practice and currently around 20 countries have caught up in recent years, with the number continuing to grow.

We refer you to the following additional documents:

Permits Foundation global survey summary report:

http://www.permitsfoundation.com/docs/permits_survey_summary.pdf

Final report: http://www.permitsfoundation.com/docs/permits_survey_final_report.pdf

Overview of regulations on dependants in other countries:

<http://permitsfoundation.com/docs/Permits%20Country%20Summary%20March%202010.pdf>

Permits Foundation submission to the MAC in 2009, with further comments on dependants.

http://www.permitsfoundation.com/docs/Permits_Foundation_response_to_UK_MAC.pdf

Q 8: What would be the likely impact on your organisation, sector or local area of reducing (from 2010) the number of main migrants through the Tier 1 general route in 2011/12?

Generally speaking, we observe that Tier 1 applications are less critical to large international employers than Tier 2 ICTs although most companies have employees in both categories. The usefulness of Tier 1 to employers often lies less in the coincidental employment of a highly skilled migrant who has already entered the UK, and more in the prospect that an excellent job applicant or recent international recruit may be eligible to apply for Tier 1 if they do not meet the 12-month pre-employment condition for a Tier 2 intra-company transfer. In absolute terms, employers underpin the importance of maintaining Tier 1.

Q9: What would be the impact on your organisation, sector or local area of reducing the number of main migrants through the Tier 2 shortage, Resident Labour Market Test, and intra-company transfer routes?

Intra-Company Transfers (ICTs)

Any reduction in the number of ICTs would be a major blow to international companies and bad for the UK economy.

ICTs and their families are a highly educated and skilled talent pool. The transfer of knowledge, skills and technology that they facilitate provides refreshment and upgrading of human capital in the UK employment market, boosting the economy and providing additional tax revenues. This more than offsets any minimal use of public services.

Resident Labour Market Test/ Shortage Occupation List

We see no benefit in the suggestion to combine the resident labour market test and shortage occupation list. Jobs that are already on the shortage list should not need to be advertised. Jobs that will be advertised should not need an additional proof that they are for a shortage skill.

Q 10: The Government's objective is to lower net migration overall. If you are proposing small or zero reductions in migration through a particular tier or route, through which Tier 1 and 2 routes do you think migration should be reduced instead?

Having explained that we are opposed to caps in Tiers 1 and 2, we feel it is more appropriate to investigate other categories where there is evidence of abuse, undercutting UK salaries, a smaller contribution to the economy or a greater risk of a drain on public services. In particular, we would mention:

Illegal Immigration

A UK Home Office report in 2005 estimated illegal immigration at between 310,000 – 570,000. In 2009, a study commissioned by the Mayor of London put the figure at 725,000. This dwarfs the annual net migration through legal means and represents a serious loss of tax revenue and potential drain on public services. We believe more resources should be devoted to controlling this area.

Business Visitors

There may be potential for misuse of the Business Visitor category, which allows business visitors to stay for up to six months in each visit, under a visa that may be issued for extended periods if they visit the UK often. If there is evidence that these visas are being used for employment purposes, and in some cases undercutting UK salaries, sanctions should be applied.

3. Conclusions and recommendations

International employers view potential caps on business related migration and particularly intra-company transfers (ICTs) and shortage occupations as bad for business and bad for the UK economy.

ICTs and their families are a highly educated and skilled talent pool. The transfer of knowledge, skills and technology that they facilitate provides refreshment and upgrading of human capital in the UK employment market, boosting the economy and providing additional tax revenues. This more than offsets any minimal use of public services.

International employers maintain that they are in the best position to judge whom they should employ and when they need to transfer or recruit foreign staff to meet business and staff development needs. Evidence that self-regulation works in the PBS system is seen in latest figures showing a reduction of some 12,000 in Tier 1 and 2 migrants, triggered by the slower economy.

Permits Foundation recognises that the government wishes to deliver on its commitments to bring down net immigration levels to tens of thousands by the end of the current parliament. Instead of targeting highly skilled business migration, which makes a major contribution to the UK's economic growth, while amounting to only a small proportion of total migration, employers feel that the government should focus on the estimated half a million illegal immigrants and other categories where there is a risk of misuse of the visa conditions. Any sign of unauthorised employment or effective undercutting of UK salary levels should be tackled by stricter enforcement and sanctions for non-compliance. Employers believe that a combination of these measures will bring down net migration to the desired levels, without harming the economy.

Should the government decide to go ahead with caps, Permits Foundation would propose that blue chip employers meeting agreed standards of investment, fiscal contribution and training of British workers, be excluded from the cap. Several employers have indicated that they would consider moving operations away from the UK if they could not be certain of posting international staff when business requires it.

Continuing to grant accompanying rights and work authorisation to dependants is essential to the UK's attractiveness as a destination for investment and skilled workers. It also has long-term wider implications for equal opportunities and the employment of women.

We hope that our submission, and supplementary evidence from our global spouse employment survey mentioned in Question 7, is useful to your deliberations.

We have no objection to any of our materials being made public.

Yours faithfully,

Kathleen van der Wilk-Carlton

Board Member, Permits Foundation