



**CALL FOR EVIDENCE BY THE MIGRATION
ADVISORY COMMITTEE ON THE LEVEL OF
AN ANNUAL LIMIT ON TIER 2 AND ASSOCIATED
POLICIES
CONSULTATION RESPONSE**

Response From: London First, 3 Whitcomb Street London WC2H 7HA

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About London First:

We are an influential business membership organisation with the mission to make London the best city in the world in which to do business. We represent the capital's leading employers in key sectors such as financial and business services, property, transport, ICT, creative industries, hospitality and retail. Our membership also includes London's higher education institutions as well as further education colleges and NHS hospital trusts. We aim to influence national and local government policies and investment decisions to support London's global competitiveness. A successful London is vital to the health of the UK economy.

Our influence is built upon the breadth, depth and calibre of our business membership, who collectively represent over a quarter of London's GDP.

Q1. What has been the impact of the annual limit on Tier 2 (General) of 20,700 in 2011/12 on the UK economy and labour market? What would be the impacts of setting a limit below the 2011/12 level in 2012/13?

The annual limit was introduced in April 2011 when the UK was coming out of recession into low or flat growth, an economic picture which has remained pretty much consistent to date and looks to remain for the foreseeable future. This has meant that employers have been recruiting at atypically low levels since the limit was introduced as business growth plans and new projects have contracted or been put on hold; as such demand for non-EU skilled migrants has been low, resulting in the under-subscription to date of the 2011/12 Tier 2 quota. However, the broader impact of the limit of Tier 2 remains a concern for London First members. Employers and migrants see the new immigration system as confusing, bureaucratic and complex. They fear further changes and are reluctant to use the Tier 2 system. As a result business recruitment levels are lower. Rather than seeking to bring in the brightest and best non-EU talent that provides the skills they need, a number of London First

members have located new projects and new teams to their overseas offices – this is supported by recent City of London Corporation research ('Access to Global Talent').

In terms of potential migrants, we understand that many are being put off at the outset before even applying for jobs in London – migrants from Australia in particular. However, these lost opportunities are hard to measure beyond anecdotal evidence. It is clear, however, that the message being sent by the limit is that the UK and London are closed for business; this is a direct threat to our global reputation and economic competitiveness. Reducing the Tier 2 limit below the 2011/12 level would reinforce this message and increase the threat.

Business needs to be ready to drive growth when economic conditions improve and this means it must be able to recruit at more typical levels when the time is right, and quickly. If the Government reduces the limit further our members are concerned that it will not be nimble enough to increase the limit; and it may be politically difficult to do so in any case. Keeping the level as it currently is would instead send a positive message that strengthens the Government's commitment to its growth agenda.

Q2. Why has uptake of Tier 2 (General) visas consistently been below the implied monthly limit during 2011? Do you expect the level of uptake of such visas to change in the future, and why?

See answer to Q1.

Q3. What responses to the limit on Tier 2 (General) migration have been considered and put in place by employers, including measures to recruit from and train the UK workforce?

Irrespective of the limit on Tier 2 (General) migration, London business sets out to recruit the brightest and best candidate for the role - irrespective of nationality. However, the preferred option is to recruit from the local labour market since it is quicker and cheaper. According to London First members, recruiting non-EU staff can be up to 4 times more expensive than local staff.

Typically, less than 10% of the workforce of London First multinational members is non-EU. Again typically, London First members already have in place training and development programmes for their UK staff and school leaver and graduate trainee schemes aimed at the local workforce, including, increasingly, apprenticeship schemes. Beyond recruiting their own staff, many London First members also have corporate social responsibility schemes that support the development of local young unemployed people, for example, through mentoring and work placements.

But, as mentioned in answering Q1, as a direct result of the limit on Tier 2 (General) migration, employers are choosing to locate new projects and teams to their overseas offices, rather than seeking to bring in the brightest and best non-EU talent that provides the skills they need.

Intra-company transfers

Q4. If intra-company transfers were strictly limited to the GATS definition of senior managers and specialists, what impact would that have on employers?

Is £40,000 per year a reasonable minimum pay threshold for such jobs, or should this threshold be higher? Should it vary amongst different regions of the UK and why?

London First is particularly concerned about the prospect of further restrictions on intra company transfers (ICTs), as these are crucial to our members who need to recruit skilled global talent. We would expect new limits to ICTs to lead to the inability of London business to meet resourcing requirements in business critical roles.

Companies have global teams and programmes that are run from London and this requires global intra-company mobility. Irrespective of the skills levels locally, companies need to be able to bring their teams together at their London office, including operating their training programmes (which for, say, graduates, might take some time and a great deal of planning). If they are unable to use their London office flexibly in this way, they will relocate overseas to meet their business strategy objectives. This would clearly reduce London's and the UK's competitiveness and constrain UK economic growth.

This category of migrant cannot claim permanent residency, so there is no benefit in reducing ICT numbers, particularly as they are net contributors to the UK exchequer. ICTs are commonly used for projects of 2 to 3 years in length, in order to provide for continuity of engagement and to maximise the benefit of the skills transfer. London First members rely on ICTs to move not only senior managers and specialists but also junior employees such as graduates.

ICTs should not be limited to the GATs definition of senior managers and specialists and the £40,000 pa is a reasonable minimum pay threshold.

We are unable to comment on the regional variation point.

Q5. Does the current inclusion of non-salary remuneration (allowances) in the £40,000 pay threshold for the intra-company transfer route undermine the validity of that threshold as a test of skill? Does it actually or potentially create an unfair advantage to migrants and their employers as discussed in Box 3.2 in Section 3 and, if not, why not?

London First supports the clampdown on abuse of the system and the UKBA should have specific controls in place. However, the vast majority of employers who rigidly abide by the rules should not be penalised by the actions of a minority. Moving employees between global office locations is a significant and costly undertaking for business and is not undertaken lightly – much thought goes into the planning of ICTs and they are undertaken when the employer identifies a clear skills need.

Allowances reflect the realities for immigrants who come to work in the UK for short term assignments. No changes should be made to the inclusion of allowances in the £40,000 pay threshold.

Skill level for Tier 2

Q6. Can the methodology used to identify the skill levels of occupations, discussed in Section 3 of this call for evidence, and in our report “Analysis of the Points Based System: List of occupations skilled to NQF level 4 and above

for Tier 2” (Migration Advisory Committee, February 2011), be improved, and if so how?

No, London First feels the methodology is acceptable.

Q7. Are any of the occupations listed in Table A.2 skilled to National Qualifications Framework level 6 or above (NQF6+)? Are any of the occupations listed in Table A.1 not skilled to NQF6+? In either case please supply evidence to support your view.

No comment.

Q8. What would be the economic impact of raising the minimum skill level for the intra-company transfer, RLMT and shortage occupation route from NQF4+ to NQF6+?

NQF4 is equivalent to year one of a graduate level bachelors honours degree whereas NQF6 is equivalent to the final year of a bachelor’s honours degree, whether that be year three or four. We see no reason for raising the skills level in this way.

Resident Labour Market Test

Q9. What would be the impact on employers and the economy of lowering the threshold for exemption from the RLMT from the current level of £150,000 per year to somewhere in the range of £70,000 to £100,000 per year?

It would be a positive move as it would help to give a clear message to talented individuals, businesses worldwide and international trading partners that the UK and London are more open for business. This is critical if we are to deliver the private sector growth needed to restore national finances. The move would increase the ability of employers to attract and hire skilled non-EU talent and they would be able to do this more quickly and effectively.

London First members believe the £150,000 limit is too high and reducing it by the stated amount would not have a negative impact on the resident labour market. Universities would support the lowering of the threshold as it would help them to secure more quickly non-EU academic highly skilled talent, who tend to be paid at lower salary levels than their counterparts in business.

Q10. What would be the impact on the UK labour market, including on employment opportunities of UK workers, of making the above change?

London First does not anticipate any impact on UK workers.