

# INTERNATIONAL RECRUITMENT, SKILLS SUPPLY AND MIGRATION

**Professor Paul Sparrow**

As part of a multi-stranded process of globalisation, migration, always an “engine of history”, has now become a central feature of international life.

Immigration relates to the first two of the Sector Skills Development Agency's priorities and strategic objectives and one of the post-Leitch Report goals is to understand the links between skills issues and migration. The challenge is to think across, and to act generically across, sectors.





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## ABOUT THE AUTHOR

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## THINK PIECES - CONFRONTING UK'S CHALLENGES

This series of short papers, each written by a recognised expert in their field, is designed to provoke debate on crucial skill and productivity issues. Each issue of SSSA Catalyst will summarise the implications of influential research, and will recommend next steps for policy or business practitioners, lines of policy development and fruitful areas for further research.

Raising skills and productivity to enable the UK to compete in a global economy is a significant challenge. These short papers will offer no simplistic solutions. Some views expressed will undoubtedly be controversial, questioning widely-held assumptions and contesting public policy or business practice.

Our aim is to promote understanding of the skill and productivity challenge and to engender constructive debate.

## PUTTING IMMIGRATION INTO CONTEXT

The UK government's shifting policy towards a skills-based points system is based on two needs:

- improving the economic competitiveness of the UK, and
- addressing skills shortages in certain sectors.

These policy changes were made before the true scale of EU and other labour migration became clear. Government policy, then, is to drive a process of “managed migration”. In addition to a package of legislative changes, this involves building public understanding of the need for managed migration and consultation with employers and trade unions about migration policies, as part of a five-year plan. Reforms to the visa system in the Immigration, Asylum and Nationality Bill are based on a single points system, intended to attract skilled labour in job areas such as engineering, the financial sector, education and the health service. There is no official intention to increase or reduce the number of people coming to the country. The intention is that the UK only takes as many people as the economy needs at any one time and that those who come are selected.

The national debate on immigration raises questions about the actions of organisations and their reliance on immigration (nominally to handle skills shortages in the UK, but in practice serving several drives). In the short term it creates:

- The potential for exploitation of incoming migrants.
- Potential undercutting of local workforces, short term impacts on industrial relations, and long term impacts on the shape of domestic career paths.
- Reputational and development impacts of stripping countries of talent, or then disposing of that talent if there are other options to make best use of available skills.

- Uncertainty about the employment and skills investment implications in the UK labour market.
- Questions about the capacity of migration systems to support the new skill supply strategies of employers.

Longer term, mass migration carries complex benefits and costs. These include potential beneficial impacts on GDP growth rates – holding down wage inflation and by extension interest rates, closing skills gaps and increasing firm-level productivity – through to potential negative impacts such as harming the indigenous population's employment prospects, encouraging the employment of cheap labour, reducing incentives for long-term productivity-improving actions such as training and development, increasing social costs through unemployment and child benefit claims, and other usage of social services such as healthcare.

In the UK, there are two direct processes taking place, and a third indirect process related to the demographic impacts:

1. Transfer of labour to the UK within the internal labour market of the EU, which may or may not lead to permanent settlement – nearly half the new migrants from Eastern Europe are under 25, moving into seasonal or limited-career jobs in hotel, catering or agricultural work.
2. Parallel growth of immigration from outside the EU, likely associated with higher levels of settlement.
3. Population growth. By 2004 net migration gains of 223,000 made migration the leading component of population change. By 2006 the UK's population topped 60 million for the first time and is expected to rise 12% in the next generation.





Migration is a particularly complex issue and the interests of numerous stakeholders have to be balanced. Most of the policy debate is driven by economic argument, but this inevitably means that we only capture a fraction of the consequences that in practice affect policy outcomes. There is a wealth of experience from other disciplines.

Joined-up policy requires that coherent signals are sent to the labour market, and these should be based on the insights that arise from a total analysis of the issues. Academics prefer to subsume migration within the wider process of “movement”, covering all forms of human mobility. Relevant expertise therefore comes from a wide range of social science disciplines, including:

- Economists studying the impacts of immigration on international trade, innovation, consumption patterns, and labour market outcomes such as participation rates, unemployment, job turnover, local wage levels.
- Applied geographers studying human problems that have a geographical dimension.
- Race, ethnic relations and migration experts studying developments in industrializing societies such as multi-cultural workplaces within a domestic market.
- Anthropologists, sociologists and international political economists studying the operation of global networks and the impact these have on transnational affairs.
- International human resource management academics studying the choices organisations make about resourcing strategies, new forms of international working that might avoid the need for recruitment, and knowledge transfer strategies that similarly might have the same effect.

Each field provides valuable insight into policy-level and management issues. But a development that informs most of their work is the reality that production and consumption of services are increasingly coordinated on

a global basis. Far from being associated with some simplistic shift towards higher value-added (and arguably more dependent on advanced skills) work in developed countries, the shift towards the new “service world” is in reality very uneven<sup>1</sup>. It includes several components:

- Movement of highly-skilled migrants and knowledge workers.
- Development of more globalised labour markets for craft skilled employees – one can think of the recent influx of Polish immigrants.
- Growth of what the sociologists refer to as “global care chains”<sup>2</sup>, where the lifestyle of relatively wealthy individuals and households in developed countries is made possible by people from the second or third world, and involves the transfer of services associated with childcare, homecare and personal care such as nannies and maids.
- Gravitation of productivity towards, and development of, global cities. In the UK’s case this is London – but worldwide we see the development of highly productive cities that have economies the size of many a national state. Using 2001 census data the Born Abroad study showed that 42% of Indians, 55% of Bangladeshis and 79% of Black Africans live in London. With the exception of Pakistanis, immigrants have moved to where the work is. The link between the high levels of productivity found within London and the flexible use of immigrant skills would be an interesting one to test.





## WHAT CAN BE LEARNED FROM THE EXPERIENCE OF OTHER COUNTRIES?

Clearly, employers are a major stakeholder in the immigration debate, but we need to understand some important macro-issues. Before we examine the issues for employers, in this section I look briefly at the experience in New Zealand, the US, Ireland and Australia and what this tells us about the following questions:

- Can the value of immigrants be judged based on their skills at point of entry?
- Does immigration depress wages and provide disincentives to train?
- Is a virtuous circle between high skill immigration and productivity possible?

### CAN THE VALUE OF IMMIGRANTS BE JUDGED BASED ON THEIR SKILLS AT POINT OF ENTRY?

We may look to debates in New Zealand and Australia in answering this question. New Zealand began a policy of significant immigration in the early 1990s. Its policy debate captures many we see in the UK today. By the early 1990s their economists concluded "... in the era of globalisation, no country - not even remote islands - can stem immigration pressures in the very long run ... [but] When one comes to ... precise selection criteria, selectors of immigrants face a dilemma. They cannot evaluate different applicants for immigration like different products in a shop before making a rational purchase decision. The value of immigrants ... will only be known (including to themselves) *after* they have settled and tried to make a success of their lives in the country. Going by proxies or engaging scrutineers to 'pick immigration winners' rarely works"<sup>3</sup>. Concerns about immigration, based on worries about negative collateral effects that may exert significant change on

the social life of a country, but have not been subjected to popular vote were also expressed, along with scepticism about the real transfer of costs involved. This led rise to the "hidden transfer of costs" argument, which broadly says that collectively owned free goods have to be shared more widely; shared customs, habits and ethical standards represent institutional assets, and challenges to these, or the need to enforce these, carries additional social infrastructure costs; and finally there are economic costs associated with failures to fully integrate people either culturally or economically. These concerns still resonate in New Zealand today<sup>4</sup>.

**"in the era of globalisation, no country - not even remote islands - can stem immigration pressures in the very long run"**

Australia has also historically pursued a doctrine of "populate or perish". By 1996 first generation immigrants represented 23% of the population, compared to 17% in Canada and 9% in the US. Australia's skilled immigration programme is modelled closely on Canada's and has influenced UK thinking. It too has recently experienced a wave of immigration, with a geographical shift from Europe to Asia as the main donor region. Australian policy researchers ask the questions we can expect to hear next in the UK:



- Do immigrant's productive skills transfer to the domestic labour market?
- Through what process do immigrants invest in host-country-specific skills?
- Does selection on the basis of skills make it easier to transition into the labour market than when selected on other bases such as kinship or humanitarian grounds?

Labour Force Survey and Census data obscure what happens to principal applicants and how their visa status impacts future labour market integration, so they now look at the post-migration investments made by family members in job search and enrolment in formal education – but they study the whole family unit. Successful integration of immigrants into the labour market depends critically on their investment behaviours in their own human capital – through job search and education. This investment is most common: early in the settlement process, amongst younger immigrants, and in those who cannot easily return home. It explains the more rapid wage growth than natives following arrival. Historically, families specialized – one partner earning money to help others make more expensive investments in training and skills. However, data now show that post-migration investment is only weakly associated with pre-migration education levels. It is associated instead with measures of skill transferability. Skilled Australian migrants now invest in education that ensures continued occupational status within the Australian labour market, not just general education. And rather than specializing, husbands and wives engage in mutually-reinforcing investments in job search and education. This finding also applies to the US experience and one should expect to see these patterns developing in the UK.

#### DOES IMMIGRATION DEPRESS WAGES AND PROVIDE DISINCENTIVES TO TRAIN?

In the US, the share of immigrants has grown from its historic low of 4.7% in 1970 to about 12% of the population – 35.2 million – who are now foreign born. There are an estimated 12 million illegal immigrants. Most debate has been about the economic impact of illegal immigration. Median earnings of full-time, male, year-round workers in the US but born in Mexico are only 51% of those for males born in the US. Illegal immigration has depressed wage levels for poorly educated domestic US workers in low skilled jobs, though uncoded benefits deriving from a broader tax base, investment and an influx of entrepreneurial talent are assumed to offset this. In terms of integration into labour markets, children of immigrants have higher education and income levels than those of non-immigrants, and children of the least educated immigrants have pulled almost even with the children of natives.

**“Australian policy researchers ask the questions we can expect to hear next in the UK”**

However, debate over the fate of poor immigrants has obscured other difficulties in the treatment of more highly-skilled foreign workers. US policy is intended to meet employer demands in a timely fashion, protect working conditions and not foster over-dependence on foreign workers. Yet, having led competition for skilled



employees, US immigration policy is still fraught with problems for employers and domestic labour markets. One-third of US productivity growth is IT-driven and stories abound about the contribution from people born outside the country. Google was co-founded by a Russian immigrant. Silicon Valley employs tens of thousands of Indian software engineers and 30% of the technology-firms created there were founded by entrepreneurs with Indian or Chinese roots. The H-1B employment visa, designed for temporary authorization of high-skill immigrants with at least Bachelor level degrees is the dominant instrument for IT recruitment. Originally no limitations were placed on the number of visas, but by 1990 employers had to attest they would pay prevailing wages and meet other conditions. Yearly caps were introduced to dampen demand for foreign workers and encourage adjustments in the long term interest of the US economy. But employers argue current levels of authorized visas and the Congressional approval process restricts their development and US competitiveness. In 2004 the US Department of Labor approved more than 600,000 requests for high-tech worker visas but Congress limited the number to 65,000. It takes 160 days just to get a visa interview at the US consulate in Chennai in India.

Analysis of the experience of mass migration in the US<sup>5</sup> has also revealed many of the “dark side of immigration” issues for which there may be parallels in the UK:

- US Congress's General Accounting Office found a pattern of H-1B exploitation, with wage and labour violations indicating a preference for cheap foreign labour rather than skills shortages accounting for visa usage.
- Skilled migrants are not able to leave their entry jobs easily but keep in the system in the hope of visa application within 6 years – called the “indentured servant” problem.

- Behind amnesty there has been a huge expansion of IT guest workers – US analysts argue there is no real skills shortage justifying this.
- Investment in domestic training in the US peaked when firms could not rely on immigration (pre-1961).
- Ethnic groups get different returns on their human capital investments. In the US, Blacks are discriminated against versus Hispanics and continued investment behaviour in education does not pay off for this group.
- Political economists have demonstrated how changes in migration, corporate strategy and immigration policy combine to create a cycle of dependence on short-term low-skilled employees, as for example in the US meatpacking industry<sup>6</sup>.
- Analyses of immigration, labour, and trade policies show that countries that source much US immigrant labour – Puerto Rico, the northern border of Mexico, China, Taiwan, Malaysia and South Korea – were the destination for prior capital investment in overseas low-skill assembly lines. Following internal migration to these plants, the economies and labour markets become more inter-dependent and produce more external migration, setting up “chain migration networks” connecting home villages and communities with the domestic labour market<sup>7</sup>. Of the estimated 22,000 garment shops in the US, the US Department of Labor categorises over half as sweatshops.

Much of what has been seen in the US should be expected to apply here. Managing the dark side of immigration will remain a significant issue for the UK over the long term.



#### IS A VIRTUOUS CIRCLE BETWEEN HIGH SKILL IMMIGRATION AND PRODUCTIVITY POSSIBLE?

To answer this question, we may look at Ireland. It has managed to upskill its economy with an unregulated system, at least until now. Like the UK, Ireland pursued an open economic model in which multinationals have located production and investment. Ireland has changed from a net exporter to net importer of population – inflows quadrupled from between 1993-99 and 2000-2004. The immigrants that arrived in response to the first “Celtic Tiger” period of economic growth were, in comparison to the domestic workforce, young and highly educated (85% were high skilled) offsetting demographic ageing and distinguishing the Irish experience from that of the US, which has seen mainly low-skilled immigration. Like the UK and Sweden, Ireland operated an open market during the recent accession of 10 new EU member states, and similarly experienced a sudden and unexpected influx of immigrant workers. In EU countries, employees from the new accession states make up no more than 1% of the workforce but for Ireland this rose to 3.8%.

The Irish Economic and Social Research Institute examined the impact of Irish immigration policy on high and low-skilled wages and levels of GNP per head and confirmed a virtuous circle. High skilled immigration increased labour supply, exerting downward pressure on high skill wages by around 6%, increasing employment, productivity and output. Irish GNP is 3.5%-3.7% higher as a result of skilled immigration. Although low skilled immigration suppresses wage levels, high skilled immigration increases demand for low skilled labour, leading to actual wage increases and reducing overall wages inequalities. A low skilled immigration policy would remove any economic benefits, however. Moreover, in Ireland there is an education-occupation discrepancy – a problem that fortunately does not apply to UK and US immigrants. Not all immigrants work in occupations reflecting their education levels and

unemployment is higher than for domestic workers. This reflects a lack of labour market information, and this lack of information is considered to reduce labour market efficiency. Large scale immigration from Poland and other EU accession countries has also put pressure on the voluntarist system of workplace relations, with national partnership negotiations between employers and unions reflecting industrial relations issues surrounding abuses of minimum wage and off-shoring. Unions now argue an open borders policy is not compatible with Ireland’s low regulation model.

**“Irish GNP is 3.5%-3.7% higher as a result of skilled immigration”**





## THE IMPLICATIONS OF IMMIGRATION FOR UK EMPLOYERS

So, what have been the characteristics of immigration into the UK? As the recent exposure of the measurement system has made clear, working out the true scale of legal immigration to the UK is and will remain problematic, and most any official figures are open to debate and interpretation. Corrections aside, Home Office figures suggested that, over the period May 2004 to June 2006, 427,000 workers along with 36,000 dependents from eight EU accession states successfully applied for work in UK. If self-employed workers are included, this figure was assumed to be nearer 600,000. Over half (62%) of these were Polish and they were generally young, 82% aged 18-34. This inflow of labour in the main was into low-skilled occupations – 30.2% of registrations in 2005 were for elementary occupations and only 13.4% for skilled trade occupations<sup>8</sup>. Indeed, attempts to estimate the effects of immigration on native employment are confounded by this fact that immigrants tend to go where the jobs are. This may mask any job losses due to immigration. Migration by EU natives from one EU country to another is positively correlated with employment levels in the host country<sup>9</sup>. Over the same period, migration from outside the EU also reached record levels. The same figures show that 1.425 million non-British people were given the right to live and/or work in the UK in the two years since May 2004<sup>10</sup>. This figure included people who may already have been in the UK for four years but were granted the right of settlement, as well as more immediate movers. It did not include people from the existing non-accession EU countries such as Ireland, France, Germany, who may have moved to live in the UK in the same period. By definition it also did not include illegal immigrants.

Many UK firms now rely on international recruits in their domestic market, either by recruiting overseas or by capitalising on a more fluid migrant workforce in the UK. In 2004 the CIPD Quarterly HR Trends and Indicators survey showed that 28 per cent of employers were recruiting from abroad, rising to nearly 40 per cent of firms that employed more than 500 employees<sup>11</sup>. By 2005 the CIPD's Annual Recruitment, Retention and Turnover survey showed that 38 per cent of firms were recruiting from abroad – up to 44 per cent in public services. Of those recruiting overseas, 53 per cent expected this activity to increase<sup>12</sup>. In part, this is because many employers feel that a migrant workforce can provide not just the necessary skills, but also high levels of dependability and commitment.

**“domestic organisations might be tempted not to invest in training in their home markets but use international recruitment as a short term strategy to harness superior skills from overseas”**





Given the lack of uncontested data on this unpredicted phenomenon, it is hard to say yet with certainty what the real impact has been on the economy, productivity, skills gaps, social systems, organisations and communities. The Bank of England considers that the lack of sound data has introduced uncertainty even into estimates of appropriate interest rates. The Office for National Statistics argues better figures are needed on the number of migrant workers to help local authorities plan the provision of extra services such as health and education, and most certainly there is yet to be a proper analysis of the impact the latest influx of migrants has had on the UK labour market. The implications clearly vary depending on the type of migration that proves dominant within any sector.

- When seen as part of the shift towards global care chains, the issues surround the potential for abuse of employment conditions and substitution of domestic labour through lower wage levels, also indirect positive benefits on the skills supply to other parts of the economy given that the service care chains enable many UK individuals or households to engage in others forms of employment because of the provision of house and personal care services.
- When seen as part of a within-EU influx of labour, as debated with the recent inflow of workers from countries such as Poland, the issues shift to debates about skills shortages at intermediate levels but also other tacit advantages to recruiting from overseas – for example attitude and service levels.
- When seen as part of high skills migration, this should best be understood by looking at the range of potential options that organisations have at hand to resource their businesses internationally, some of which afford more creative alternatives to overseas recruitment.

**“The reason why an organisation may need a highly-skilled employee from overseas can only be seen in the context of the overall range of global resourcing strategies”**

There are also differing opinions about the desirability of the new skills-based system in the UK. The CBI broadly welcomed the new arrangements, but is concerned that the increased obligations on employers might mean that they are expected to act as immigration officials. The CIPD notes that there are both winners and losers in the process. The Recruitment and Employment Confederation, the trade body for the recruitment industry and a member of the Home Office Employers’ Taskforce, has called for immigration policy to be formulated on the basis of economic need, arguing that the new regime must be responsive to areas of skills shortages. The Institute of Employment Studies conducted a qualitative study into the legal recruitment of migrant labour for the Home Office in order to understand employer motivations, attitudes, activities and views on the new scheme<sup>13</sup>. Comments were generally





positive with employers believing it would prevent abuse and reduce illegal employment. To the independent observer, however, it is difficult to be sure the extent to which many employer responses reflect a cheap labour strategy, or a genuine reflection of applicant skills shortages. One point of contention was that employers claimed to be particularly dependent on migration for low-skilled work, where it was found that domestic labour was unprepared to apply for vacancies given the conditions, pay and hours of work.

There have been longstanding concerns, generally expressed by unions, that a reliance on immigration by UK firms and short term contracts to fill immediate skills shortages reflects a short term attitude to skills shortages that provides a disincentive to invest in training for the domestic workforce and indeed for the already-skilled immigrants. The argument from employers to counter such charges of short-termism and disinvestment in training for domestic workforces, especially global high technology and service firms, has been that they need to source international skills more flexibly to meet shortages and that by “injecting” short term skills into UK operations they can avoid the jobs in the UK going overseas to offshore centres of excellence in the longer term.

### **DO ORGANISATIONS HAVE TO USE IMMIGRATION TO SOLVE SHORT-TERM CAPABILITY PROBLEMS?**

So is there no alternative? Research into larger organisations shows that when they are dependent on high-skilled employees within the labour market, but cannot guarantee the supply of these skills, they do have other options. The ultimate motivation behind international resourcing strategies is to ensure that local operations can deliver the same level of “capability” in any one market that can be achieved in other parts of the world. That “capability” might be best delivered through people with appropriate skills but, where conditions are not conducive to this, it might be possible to use other working conditions to assist the mobility of expertise. Organisations can adopt designs that help them transfer knowledge from one location to another. They might transfer activity to their own operations in other countries or indeed out-source arrangements. In short, the resourcing of high-level skills is just one part of the mix of activities that helps them ensure that they can deliver the same level of capability within the UK. Government policy has both to be sensitive to these needs, whilst also holding organisations to account for the national impact of their global capability policies. Holding organisations to account of course involves higher costs of regulation and checks on conformance, but it is one of those insurance premium investments necessary to protect the future.

Because organisations are now operating in a new world of global labour markets, their HRM functions, once only focused on managing and supplying highly-skilled expatriates to help transfer know-how, now have to offer a range of supplementary services. They will and must actively capitalise on immigration, but only in the context of their need to attract, build, leverage and transfer talent – be this in form of people, their knowledge or organisational capability – globally. There are multiple resourcing options available, but two strategies have become important:





- Capitalising on the skills and commitment of increasingly fragmented categories of employees to provide a mix of capability. This mix of capability might be provided by contract expatriates, assignees on short term or intermediate term foreign postings, international commuters and employees utilised on long-term business trips, permanent cadres of global managers, international transferees moving from one subsidiary to another, self-initiated movers from another country passing through the UK, and now immigrants actively and passively attracted to the UK's labour market<sup>14</sup>. If an organisation experiences limits to supply in any one of these areas, then they will seek to offset this by increasing supply and demand in other areas.
- Using new organisational designs that can assist the provision of services in a domestic market, i.e. provide cover for local capability issues. These new forms include options such as using the skills of virtual international employees active in cross-border project teams, or concentrating skilled individuals in geographically remote centres of excellence that then serve global operations. Beyond this they might shift towards other sourcing arrangements using the services of their suppliers and partners.

For example, in analysing sponsored immigration amongst IT professionals in transnational organisations, the UK's Migration Research Unit concludes that the way that large companies in different sectors operate their internal labour market is very significant in explaining the geography of their labour migration<sup>15</sup>. Highly integrated global internal labour markets have developed, capable of short-term circulation of expertise. The authors argue this has happened because of business process outsourcing models and client pressure to reduce costs, which encourages organisations to adopt novel skill supply strategies. For example, some use their UK bases to host (and rotate) overseas and offshore nationals working at or near end-client sites for short periods of time

on development work, backed up by bulk delivery 'campuses' sited in low cost locations. Overseas rotation is used to build up repositories of client and market-specific knowledge in offshore locations, undermining the requirement that overseas recruitment be used for genuine additional new posts in the UK. You can use the analogy of foreign football players in the Premiership: in some cases you do get the best global talent, in other cases you deny domestic players the necessary development space. Their analysis of high skilled migration patterns suggested some generalisable policy lessons:

- Establishing labour shortages is an ephemeral exercise, but clearly more visas were sought than dictated by bedrock demand. Assessment of employer claims of skills shortages is needed along with flexible ways of allocating visas, based on auctions or robust labour market data.
- Ad hoc caps and changes in their level (single policy fixes) to engineer employer behaviour do not work effectively in what is an inter-dependent system. More rapid granting of permanent employment status would allow employers the option to pursue their preference for permanent employees.
- Immigration policy needs to provide flexibility for legitimate demand but also critically assess this demand. Mechanisms are needed to manage responsibly the supply of visas so that the interests of domestic workers are protected, wages held high, individuals are stimulated to seek training, and employers encouraged to compete by developing innovative products and strategies rather than cheap labour.
- The price for flexibility is responsible enforcement, suggesting the need for post-hire random investigation regimes to encourage and monitor compliance.



**“You can use the analogy of foreign football players in the Premiership: in some cases you do get the best global talent, in other cases you deny domestic players the necessary development space.”**

#### **DO ORGANISATIONS UNDERSTAND THE TRUE COSTS AND BENEFITS OF INTERNATIONAL RECRUITMENT TO THE UK LABOUR MARKET?**

Nonetheless, large-scale international recruitment into the UK domestic market has become a feature of organisational life. However, as it is a relatively new phenomenon in many organisations their overseas employees are only just beginning their employment relationship, but the true costs and benefits to employers can only be assessed by looking well beyond the solution of immediate skills shortages.

Organisations may therefore find themselves pursuing international resourcing strategies that have poorly thought through management and cost implications.

There are many direct and indirect costs associated with international recruitment within the domestic labour market. Considerable attention has been given for example to the globalization of healthcare markets in this regard<sup>16</sup> and we have learned much about the complexities of coping with international recruitment from the National Health Service. Three strategies were needed by the NHS to source international employees.

- Active recruitment policies: where specific skill-groups and countries were targeted, arrangements with service providers established, different media and channels to labour market known and tested, overseas recruitment trips normalised and codes of practice reflected in internal practice.
- Passive recruitment policies: where the applicants took the initiative which needed to be capitalised on, and where candidates could be captured simply because there had been an increase in both the ‘flow’ and ‘stock’ of international employees or qualified refugees.
- Longer term strategies to ensure the continued ability to compete in international labour markets.

Subtle but important discrimination issues may arise in some sectors, such as the fairness of selection interviews for immigration candidates and potential for indirect discrimination. Despite efforts to improve diversity, the job interview can still be a barrier. A study funded by the Department for Work and Pensions (DWP) to examine language and ethnicity<sup>17</sup> found that even traditionally reliable techniques such as competency-based interviews created difficulties, with the communicative demands, particularly linguistic and rhetorical skills, needed to get through





the interview being higher than those in the job description. As a result the success rate for candidates born abroad was 23% lower than for their British-born counterparts.

**“employers have to understand a range of issues as they affect their use of international recruits over the whole lifecycle of their employment experience”**

Yet in order to maintain fairness to candidates - whilst also ensuring a return on their own recruitment investments – employers have to understand a range of issues as they affect their use of international recruits over the whole lifecycle of their employment experience. This means understanding the employee behaviour – and the costs and benefits of such behaviour – that will result from: the continued impact of the legislative context; variation in qualifications, language skills, and the implicit capabilities that job candidates have; subsequent attitudes to retention and career advancement behaviour and

the impact on diversity goals or the potential for discrimination; the preferences for use of specific recruitment tools; competency specification at behavioural indicator level; test behaviour and desirability; employee engagement behaviour or buy-in to organisational values; and the risk to employment brand and customer behaviour that might be associated with poorly integrated international recruitment.

A key issue for employers is the use of English in the workplace. The CIPD's 2005 Labour Market Outlook Survey found that just over half of employers felt that proficiency in English was one of the most important attributes when recruiting migrants (51% for highly skilled posts and 54% less skilled/unskilled positions). Insistence on use of English in the workplace creates a number of contentious issues<sup>18</sup>. Should employers force a policy that English is used at all times by employees in the workplace at the risk of discrimination claims? In some service-based sectors, for example care homes and mental health services, customer sensitivities have led to English language policies being introduced by some employers. How does this align with a diversity agenda?

There is a risk that domestic organisations might be tempted not to invest in training in their home markets but use international recruitment as a short term strategy to harness superior skills from overseas. Therefore, beyond the short term fix to skills shortages that might be afforded by international recruitment, organisations need to do many other things that all have implications for longer-term productivity. They have to: integrate a multi-language workforce; cope with the need to ensure comparability of qualifications; ensure English language requirements are met by migrant workers to aid safe working conditions (therefore assess implicit risks around health and safety); and ensure that inward migration does not occur to the detriment of



productivity amongst domestic employees. There are also indirect impacts on productivity levels associated with levels of employee engagement amongst the domestic workforce that can result from a well – or poorly – thought through international recruitment strategy. Overseas recruitment may be a laudable strategy and one in the best interests of customers and consumers, but it is not a strategy to pursue with eyes shut to the total cost-benefit equation. This equation looks different depending on the sector.

**“a more informed approach based on costings of total employer, and employee, behaviours might show that investing in domestic training is a more attractive option”**

## WHY IS THE SECTORAL DIMENSION IMPORTANT?

We know of course that there are wide differences in the nature of immigration across sectors. For example, in the UK, immigrants are over-represented in service work – health, social work, finance and hotel and catering – but under-represented in manufacturing. A recent Home Office study<sup>19</sup> shows that migrant workers from Eastern Europe have in some instances become a preferred source of labour because of their work ethic and skills, particularly in the agricultural and hotel & catering industries and for low skilled administrative, business and management jobs. In other sectors – for example construction or hotels, catering and leisure – the main motivation for immigration is that they now operate in a highly internationalised labour market. In its submission to the Home Office on Making Migration Work for Britain, ConstructionSkills (the Sector Skills Council for construction) pointed out that the sector accounts for 8% of UK GDP and employment<sup>20</sup>. As an industry it has witnessed an increase in the use of migrant labour, primarily to plug skills gaps.

The sectoral dimension to immigration assessments is important for both supply and demand reasons. From a demand perspective, the extent to which organisations need to pursue more fragmented and diverse international resourcing options varies by sector. From a supply perspective, certain labour markets have themselves globalised<sup>21</sup>, influencing the ease with which migrants may be attracted. There are differences in skills shortages across sectors, and the quality of qualification structures is also considered to vary. But why is the sectoral dimension to immigration policy so important? There are a number of reasons for this.



First, in terms of employer behaviour, the cost-benefit analysis for international recruitment clearly differs across sectors. The implication of the analysis in the previous section is that simple cost-benefit calculations associated with the recruitment of skilled immigrants and the impact that such investments might have on training often miss the mark. The true resource costs of managing international recruitment – and then successfully utilising the skills that overseas employees bring – are often high and little understood by employers beforehand. For example, in one NHS Trust in order to recruit just 64 nurses from Spain there had to be a cultural exchange relationship at ministerial level, a pre-departure website, a 12 week part-time adaptation course for language, culture and professional skills, and an employment support officer. International recruitment can be an expensive process for firms and one wonders whether a more informed approach based on costings of total employer, and employee, behaviours might show that investing in domestic training is a more attractive option?

Second, the sort of Labour Market Intelligence that is needed is clearly quite unique to sectors. Most experts agreed that the influx of labour from EU accession states demonstrated two unmanaged processes:

- unmanaged numbers coming into the UK, and
- unmanaged allocation of work.

It was argued that much better analysis of skillsets, skill shortages, migratory intentions and recruitment patterns needed to be carried out, with the involvement of HR professionals with relevant manpower planning expertise, and indeed also planning at a European level<sup>22</sup>. However, although Labour Market Intelligence has to be of a form that it enables fair, sensitive but also critical assessment of employers' need for migrant employees, it also has to be alert to the full range of internal and external resourcing strategies open to employers. As noted above, these resourcing strategies are in many cases complex and are very sector specific.

Third, labour markets are judged by employers on qualitative issues such as job-readiness of applicants. This clearly has much to do with the relevance of sector VET arrangements. For example, in order to help limit the recruitment of established IT professionals from markets such as India, eleven major Information and Communications Technology (ICT) companies set up the Career Space Consortium in conjunction with the European Information and Communications Technology Industry Association. It is argued that the cycle of knowledge creation, distribution, learning and utilisation has become shorter and this now incentivises employers to influence workforce qualification arrangements and learning content. Policy options in relation to the immigration debate cannot be divorced from the debate about the balance between education and training and the relative allocation of costs and responsibility between states and employers provided for this. Changes to the education and training curricula in domestic, principally sectoral, labour markets indirectly influence demand for overseas labour. Relevant education and training curricula can mitigate against the need to recruit internationally and certainly impact employer skills and talent management strategies.

These observations on the importance of detailed sectoral insight into the management of immigration raise some important questions. In the context of managing (reducing the need for) immigration, would a decentralised federal system in which Sector Skills Councils also had control over the qualifications be more effective? The answer would seem to be yes. Would a high-trust, employer-led system counterbalance the more dysfunctional aspects of employer behaviour surrounding immigration? Here the jury is likely still out.



## CONCLUSION

As can be seen in this paper, migration has a direct bearing upon a wide range of current debates, including national competitiveness and skills development, technological and economic development of the UK<sup>23</sup>, the geographical dispersion of work and offshoring<sup>24</sup>, and indeed the rights and interests of UK citizens<sup>25</sup>. Migration policies also need to send coherent signals across the whole range of issues that the phenomenon creates. The international comparisons carry messages for both government and employers. They show that policy has to address many difficult questions. However, for the government the lesson from the US is that single policy fixes designed to engineer employer behaviour do not work effectively. Immigration is just one aspect of what is an inter-dependent HRM system inside recruiting organisations. There are also clear messages for UK employers from the Australian experience. First, it shows that attracting passive job seekers early in their arrival in the UK, when they are most active, is important. Second, it raises questions as to whether the recent wave of migration from EU accession countries will lead to significant investments by, in UK terms, the migrants in their own human capital. Gaining UK experience, hence employability, and wages may be sufficient return, and their desire for longer-term labour market integration less important. For those employers who have recruited solely on the grounds of labour cost, this might not be a concern, but for those who genuinely seek superior skills, future employee development should become an issue.

Clearly, employers are not the sole stakeholders in the immigration debate. However, an important message from this paper is that in the short term staff move to where the work is, but over the long term, and especially where talent is at a premium, work moves to where the staff are. The role of any single government in managing migration is therefore inexorably intertwined with the changes in strategy taking place inside organisations – changes in their global human resource management

policies. Skills policy clearly needs to incorporate the phenomenon of immigration – but to attempt to cost the economic or skills impacts around the role and use of immigrants and their relative level of skills is naïve. For highly-skilled employees from overseas, the reason why an organisation may need them can only be seen in the context of the overall range of global resourcing strategies that are possible – immigration being just one route. The availability or not of such high skilled migrants, and their contribution to the organisation, i.e. the value and costs associated with their employment, can only be assessed by understanding the impact they have as part of a coherent internal knowledge transfer strategy. Policy options, therefore, have to be based on an analysis of the wider developments taking place at the level of the organisation in terms of their international resourcing strategies, and not just on the more immediate and newsworthy headlines seen in relation to immigration.

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- <sup>20</sup> I am grateful to both Guy Hazlehurst. Deputy Director, Skills Strategy and Lee Bryer - Research Analyst at CITB-ConstructionSkills for providing access to research on Workforce Mobility and Skills in the UK Construction Sector, which was designed to provide reliable data on the nature of the construction workforce in the UK in regard to their qualification levels and the extent of occupational and geographic mobility within the workforce, and to the response to the Home Office Consultation Selective Admission: Making Migration Work for Britain, which provides further additional commentary on the current skills issues related to migration of workers into our sector
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tr. of  
AYAN n.] A

. f. Prov. &  
*Catalunya*  
1. A native

**catalyst** /'kat(ə)list/ n.

Something that initiates or causes an important event. Also *fig.*, an agent that facilitates a change.

**catalytic**

This publication was produced by the Sector Skills Development Agency (SSDA). The SSDA closes on 31 March 2008 following recommendations in the Leitch Review (Prosperity for all in the global economy - world class skills), commissioned by the Chancellor and published in December 2006, and the government's response to Leitch (World class skills: implementing the Leitch review in England) in July 2007.

The recommendations included the closure of the National Employment Panel (NEP), which also closes on 31 March 2008. They are superseded by the creation

of the new UK Commission for Employment and Skills (UKCES). The UKCES opens for business on 1 April 2008. It will operate across the UK and play a central role in raising the UK's skills base, improving productivity and competitiveness, increasing employment and making a contribution to a fairer society. More information can be found at [www.ukces.org.uk](http://www.ukces.org.uk)

The views expressed in SSDA Catalyst are those of the author, and do not necessarily represent the views of the SSDA or the Skills for Business network.

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Skills for Business is an employer-led network consisting of 25 Sector Skills Councils and the Sector Skills Development Agency. Through labour market intelligence, the identification of skills needs at all levels and its influence on the UK's education and training infrastructure, the network aims to increase productivity in business and public services.