

COMPAS Breakfast Briefing Summary



Tavhid Bahrain, COMPAS Photo Competition entry 2010

Migration policy and skills policy: substitutes or complements?

There is a very significant tension at the heart of UK immigration policy. Basic economic intuition, as well as considerable empirical evidence, suggests that skilled immigrants will benefit the economy. In many innovation-intensive sectors, cross-border flows of people - and hence of ideas and knowledge - make important contributions to innovation.

However, inward flows of skilled migrants may under certain conditions reduce the pressure on host-country employers to upgrade the skills of the resident workforce. Recent NIESR (National Institute of Economic and Social Research) research examined how UK employers meet their needs for 'strategically important' skills and the role of inward migration from outside the EEA in this process. The principal aims of the research were to identify skills that are of strategic importance to the UK economy and to determine how strategic skill needs can best be met, including through inward migration. This briefing presents the findings, and the implications for policy-makers who are considering placing new restrictions on immigration.



'Strategically important' skills are defined here as skills that contribute disproportionately to key economic objectives of the government such as productivity growth; high levels of innovation (for example in low-carbon energy technologies); the expansion of industries where the UK has a competitive (or comparative) advantage; the diffusion and effective utilisation of 'enabling technologies' such as information and communication technologies which are central to economic growth in a wide range of sectors; and increased numbers of rapidly-growing firms.

Skills: substitution or complementary?

In seeking to evaluate the economic contribution made by non-EEA migrants in sectors where strategically important skills are vital, a central question is whether skilled migrants and skilled resident workers within the UK are readily substitutable for each other or whether the skills of migrants tend to complement those of residents, with positive implications for productivity and innovation performance.

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The NIESR research included a literature and statistical review and interviews with employers and stakeholder organisations, focused on sectors that were key users of strategically important skills.

Our review of research evidence on the links between high-skilled migrants and measures of economic performance, the economic value of cultural diversity and the rationales for deployment of high-skilled migrants by multinational employers suggests that many high-skilled migrants do indeed have distinctively different skills from those of resident workers. For example, high-skilled migrants often possess language skills and knowledge of foreign markets and cultures which are rarely found among high-skilled residents and which both help to speed up cross-border knowledge flows and make effective use of that knowledge. Thus, rather than migrants substituting for home-grown talent, there is evidence of complementarities between skilled migrants and skilled resident workers.

Employers' views: the benefits of migrant labour

Case study interviews with employers in aerospace manufacturing and in financial services suggest that, so far as the development of strategically important skills is concerned, recruitment of skilled migrants does not preclude substantial investments in the recruitment and training of resident workers. Rather, many firms in these sectors combine heavy expenditure on training with reliance on skilled migrants for skills that are hard to find or develop in the UK.

Employers reported other benefits from non-EEA recruitment, principally in improving workforce diversity. Migrants brought different perspectives and experiences to the workplace, as well as different languages and areas of technical and cultural knowledge. These skills are essential for global business operations. Our review of research evidence suggests that the economic value of cultural diversity bestowed by migrants may be substantial.



Employers' concerns and policy implications

Employers had a range of concerns about further restrictions on inward migration of skilled workers. These included possible further reductions in tier 2 allocations and limits on intra-company transfers, the closure of the Post Study Work Route and new restrictions on settlement which could inhibit recruitment and retention of key staff. In addition to hampering recruitment of high-quality graduates, such restrictions could also contribute to loss of contracts, reductions in knowledge and skills transfer and to relocation of some business activities outside the UK.

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This briefing draws on a report commissioned from NIESR by the Migration Advisory Committee, *Skilled immigration and strategically important skills in the UK economy* (February 2012), which can be accessed at: <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/research-skill/>

About the speaker:

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