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Strategically important skills

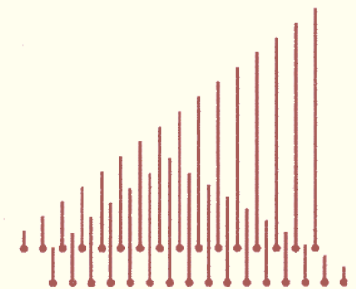
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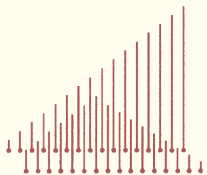


National Institute
of Economic and
Social Research

Skills and economic performance

- Facilitate adoption/utilisation of skill-intensive technologies
- Key role in knowledge transfer and innovation processes,
- Contribute to development of 'absorptive capacity'
- Complementarities between different skill levels

But key tradeoff for policy is potential tension between access to skilled migrants and employers' willingness to invest in developing skills of resident workforce



Background to research

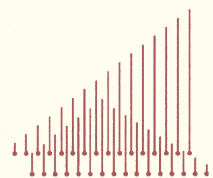
Research conducted by NIESR (Anitha George, Mumtaz Lalani, Geoff Mason, Heather Rolfe and Chiara Rosazza-Bondibene)

Aims:

- To identify skills that are of “strategic importance” to UK
- To determine how skill needs in the UK can best be addressed
- Implications of this for points based system

Policy relevance – impacts of migration policy on :

- skills shortages in sectors with strategically important skills
- decisions of large corporations to locate and invest in UK
- employment opportunities of wider UK workforce
- future performance of UK economy



Points based system

Tier 1 includes routes for exceptional talent and Post-Study Work

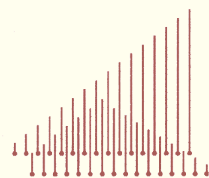
Tier 2 (General) - foreign nationals who have been offered a skilled job to fill a gap in the workforce that cannot be filled by a settled worker and have annual salary below £150,000

- 'Shortage occupation' route for migrants entering employment in occupations on Government's shortage occupation list.
- If not on the list - 'Resident labour market test' requiring employers to meet formal requirements for advertising vacancies within the UK

Tier 2 'Intra-company transfers' for employees of multi-nationals entering the UK to take up skilled jobs within those firms; must have at least 12 months prior experience of employment in sponsoring firms

Tier 4 migrants who want to study in the UK (age 16+)

Tier 5 temporary workers and youth mobility



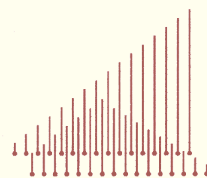
Two stages to the research

Review of data and literature

- To identify strategically important skills and sectors, employers' strategies and role of migrants in meeting needs.

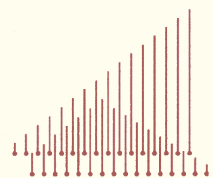
Qualitative research with employers and stakeholders

- To explore the practices, experiences and perspectives of employers and stakeholders in relation to strategically important skills needs and migration
- 2 case study sectors: financial sector and aerospace



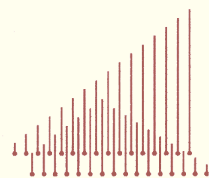
Key questions for the qualitative research

- What are strategically important skills and occupations?
- Where are shortages, what is being done to address these?
- What is the impact of shortages?
- What role do migrants play in providing strategically important skills?
- What steps are being/would need to be taken to improve skill development in UK-based workforce?
- What are employers' and stakeholders' views on migration policy?



Key findings: “strategically important” employees

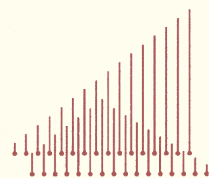
- Degree or vocational and professional qualifications that are degree level equivalents
- Engineers often held post-graduate qualifications
- Technical roles in banking had post-graduate qualifications
- Experienced staff
- Skills:
 - High level management
 - Advanced mathematical and technical skills
 - Highly specialised engineering skills
 - Professional IT skills
 - Languages
 - Cultural and international market knowledge



Key findings: why do firms recruit?

- Reasons:
 - To meet the need for specialist engineers/niche skills
 - To develop new areas of knowledge which do not exist in the UK
 - To develop understanding of operations in global sites
 - To transfer knowledge across different business locations
 - Global organisations that require a global perspective and international experience
- Complementing UK employees
 - Skilled migrants have skills that are distinct to those available in the resident workforce

'It's assisting the skill set that we have in the UK' (Bank 2)

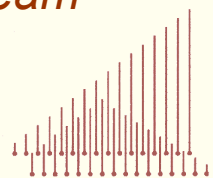


Key findings: what about training?

- Some employers already minimise non-EEA recruitment through training
- Skill gaps exist despite investment in training
- Some employers identified scope for expanding training but this is a complex process

- Need for leadership training in UK:

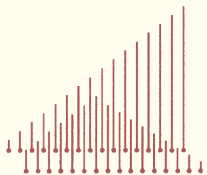
‘A B1 apprenticeship will give you a certifier on an aircraft. It won’t necessarily give you someone who can go out and get a 25 man team running effectively’ (Aerospace 3)



Meeting future skills needs

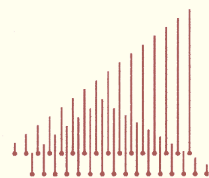
- Current practice:
 - Employers not planning to change current recruitment practices
 - Some employers already doing all they could to increase supply of skills through training and recruitment
 - Some employers in both sectors taking steps to increase supply of employees with strategically important skills
 - Employer in aerospace industry working with universities to change content of courses to improve skills supply through UK recruitment:

‘The idea is that, within three to five years we’ll start having home-grown engineers that we can rely on’ (Aerospace 5)



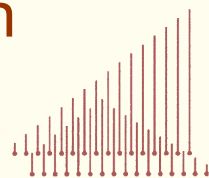
Key findings: impacts of policy change

- Employers had a range of concerns about further restrictions on inward migration of skilled workers
 - **Intra-company transfers**
 - **Tier 2**
 - ‘There would be certain parts of our business that would actually really struggle. It would have an astronomical effect on [the bank]...skills transfer and knowledge would be lost’ (Bank 1)*
 - **Post-Study Work Route**
 - **Settlement**



Conclusions

- Limited substitutability between skilled migrants and skilled resident workers
- Employers acquire strategically important skills through combination of training/development of existing staff and recruitment of individuals with specialist skills
- Reasons for employing non-EEA migrants differed between sectors
- Employers already invest heavily in training but there is some scope for reducing levels of non-EEA migration



Future research: looking beyond static impacts

- Standard economic theory suggests impact of migration (+ve or -ve) small and transient
- But this ignores dynamic impacts and complementarities, as illustrated by this research
- Key questions for future research:
 - a) can we quantify the dynamic impacts of migration on productivity, innovation, etc?
 - b) can we identify the specific causal mechanisms?

