

**A NEED FOR MIGRANT LABOUR?
THE MICRO-LEVEL DETERMINANTS OF STAFF SHORTAGES
AND IMPLICATIONS FOR A SKILLS BASED IMMIGRATION POLICY**

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24th July 2008

A PAPER PREPARED FOR THE MIGRATION ADVISORY COMMITTEE (MAC)

Web published by the Migration Advisory Committee

September 2008

www.ukba.homeoffice.gov.uk/mac

Executive Summary

1. Introduction

2. Employer demand: What are employers looking for?

3. Labour supply: Who wants to do what?

4. Immigration and labour demand: How and whom do employers recruit?

5. Immigration and alternative responses: A need for migrant labour?

6. Conclusion: Implications for skills based immigration policy

Executive summary

1. Introduction

Public discourse and policy debates on immigration often involve claims about the “need” for migrants to “help fill labour and skills shortages” and/or to “do the jobs that locals will not or cannot do.” Assessing these claims is a fundamental but contested issue in the discussion and design of labour immigration policy. In the UK, the Government recently set up the Migration Advisory Committee (MAC), a body of independent economists tasked to advise the Government where in the UK economy there are skilled labour shortages that can be ‘sensibly’ filled by migrant workers from outside the European Economic Area (EEA).

This paper is part of a research project that was commissioned by the MAC to provide an independent analysis and assessment of the nature and micro-level determinants of staff shortages and the employment of migrants in key sectors and occupations of the UK economy. The project includes this overview paper plus seven sectoral review papers on staff shortages and immigration in agriculture (Scott 2008), food processing (Geddes 2008), construction (Chan, Clarke and Dainty 2008), health care (Bach 2008), social care (Moriarty et al 2008), financial services (Jones 2008) and the hospitality sector (Lucas and Mansfield 2008) in the UK.

This overview paper discusses existing research on the key conceptual questions that arise in the analysis of staff shortages and the demand for migrant labour at a micro-level. It draws on some of the evidence laid out in the commissioned sectoral review papers as well as on the broader academic literature. The paper also explores the implications of the analysis of micro-level factors for the assessment of staff shortages and the design of a skills-based immigration policy.

2. Employer demand: What are employers looking for?

Understanding what employers are looking for ‘from the bottom up’ requires a critical examination of employers’ claims about why they need particular workers and why they draw from particular labour pools. A key starting point and theme of this paper is that labour demand and supply are not generated independently of one another. Instead, there is a *mutually conditioning* relation between labour demand and supply. Employer demand for labour is malleable, aligning itself with supply, as labour supply adapts to demand. In other words, “what

employers want” can be critically influenced by “what employers think they can get” from different groups of workers.

Employer demand for labour is often expressed in terms of the skills needed to do certain jobs. Although used widely in public and policy discourse, the term ‘skills’ is a very vague term both conceptually and empirically as it can refer to a wide range of qualifications and competencies whose meaning in practice is not always clear and needs to be critically scrutinised. Skills include technical competencies but the term can also refer to generic “soft skills” (such as “team-working skills”) that are difficult to measure. In some occupations, particularly those that have adopted computer technology or that require personal interaction, soft skills may play a role in delivering a high quality product or service. However, the demand for soft skills can easily shade into a demand for personal characteristics and attitudes that may reflect a preference for workers who will be compliant and easy to discipline and control. In practice, “skills” is sometimes also used to refer to demeanour, accent, style and even physical appearance, especially in occupations that involve face-to-face interaction with customers. For a variety of reasons, therefore, formal qualifications such as NVQs may be increasingly inadequate measures of skills in many jobs.

In their recruitment of labour, employers also assess whether a worker will tolerate particular employment conditions and relations. Although some of these may be considered intrinsic to the nature of the work, they are often shaped by employers (and workers). Employers can choose to employ workers with a particular employment status such as agency workers who have fewer rights than workers who are directly employed. Employers may also influence the temporal dimensions of employment by, for example, deciding on part-time, full-time and shift work and whether work is temporary or permanent. The objective of retaining workers as long (or short) as needed also shapes employer demand for labour and impacts on employers’ recruitment decisions.

3. Labour supply: Who wants to do what?

The (potential) workforce is highly diverse and segmented by, for example, gender, race, ethnicity, nationality, class, age and immigration status. Different groups of workers have different frames of reference and are differently constrained and motivated to participate in the labour market. Some inactive people, for example, may be reluctant to take on temporary work as a result of the inflexibility of the benefit system. Students are a well educated young labour

force that is cheap and often without caring responsibilities, which can make them more tolerant of unpredictability of work than other segments of the labour force. Similarly, certain groups of migrants may be prepared to do work for which they are overqualified or which is low-paid and/or considered 'low status', either because they have a 'temporary mindset' or because of the wage differential with their country of origin (or both). The idea of a mutually conditioning demand and supply suggests that these segmentations in labour supply can have important impacts on labour demand in terms of both "what employers want" and "whom" employers recruit.

These differing frames of reference and constraints of (potential) jobseekers are important factors in understanding mismatches between demand and supply, in terms of geography, expectations and skills. Geographic mismatches, (due in part to the housing market which shapes internal mobility), are widely recognised but their implications are contested, partly because there can be more variation in, for example, unemployment within regions than between regions. Skills mismatches have mainly resulted in policies that focused on the supply side by trying to improve the "employability" of workers. Academic work has increasingly emphasised the mismatch in expectations about wages and conditions between workers and employers, and the limitation of a supply side focus that focuses on workers only. Research suggests that reducing mismatches requires consideration of broader labour market processes and circumstances, including recruitment processes, job structures and designs, and employer demand more generally.

4. Immigration and labour demand: How and whom do employers recruit?

The suitability of workers for specific jobs is sometimes determined *categorically*, based for example, on gender, age, race and/or nationality of the job candidates. Although varying with the sector and job under consideration, existing research suggests that the *nationality* of workers can be an important criterion for recruiting labour. In theory, there are a number of potential factors that may encourage employers to engage in national stereotyping in the sense that they develop ordered (but variable) preferences for particular groups of workers based on their nationality.

These factors include: expectations of wages and employment conditions which may be lower for migrants than non-migrants and "work ethic" which may be perceived as higher for migrants

than non-migrants. These may be partly due to differences in migrants' frames of reference and personal characteristics. Moreover immigration statuses which restrict labour market mobility may mean in some cases that non-EEA workers have advantages over EEA nationals. Employers may not specifically set out to hire migrants but nevertheless do so: in some sectors for instance, agency workers are predominantly migrant labour, while in others the use of workers' networks for recruitment favours the employment of workers of a particular nationality. The prevalence and impacts of these factors will vary across employers and occupations, but there are clearly plausible reasons why employers could engage in national stereotyping and develop a variable set of preferences for workers of particular nationalities. In the extreme case, employers could create jobs with requirement that only certain groups of migrants will be able and/or willing to meet. Some of the sectoral review papers have provided some empirical support for this.

5. Immigration and alternative responses: A need for migrant labour?

In theory, employers may respond to perceived staff shortages in a number of different ways. These include: (i) increasing wages and/or improving working conditions to increase the working hours of the existing workforce and/or attract more local workers who are either inactive, unemployed, or employed in other sectors; if local workers lack the skills necessary to fill a particular vacancy, this option requires employers to invest in training and up-skilling of the local workforce; (ii) changing the production process to make it less labour intensive by, for example, increasing the capital and/or technology intensity; (iii) relocating to countries where labour costs are lower; (iv) switching to production (provision) of less labour-intensive commodities and services; and (v) employing migrant workers. The feasibility of these options varies across sectors, occupations and type of employer. In theory, an employer's decision on how to respond to a perceived labour shortage will depend on the relative cost of each of the feasible alternatives.

The sectoral review papers suggest the reasons for local staff shortages can include low wages, poor employment conditions, high rates of labour turnover (low rates of retention), a lack of training of local workers, reluctance to invest in labour saving technology and/or change to more capital intensive production processes as well as various inflexibilities in local labour supply including reluctance to engage in certain types of work because of the lack of flexibility of the

benefits system. In some sectors, some employers have also developed a preference for certain groups of migrant workers over available British workers.

The empirical evidence from the sectoral review papers further suggests significant variation in the feasibility and expected impacts of pursuing alternatives to immigration as a response to staff shortages across different sectors and occupations. In some sectors, there are important 'system effects' and contextual factors, often outside the influence of individual employers, that make it difficult to pursue alternatives to immigration. Low wages are clearly an important factor for staff shortages in part of social care, agriculture, food processing and construction. However, raising wages in the social care sector for example is constrained by the fact that the main client is the public sector where there are limited budgets and regulatory requirements about minimum staffing.

6. Conclusion: implications for the assessment of staff shortages and the design of a skills based immigration policy in practice

The paper shows that, although a necessary starting point, analyses of aggregate labour market data within a simple economic framework are not enough to assess the existence, nature and magnitude of staff shortages. They need to be complemented by more in-depth analysis and understanding of what could be called the 'micro-foundations' of staff shortages. This includes the micro-level factors affecting employer demand and labour supply in particular labour markets and the ways in which demand and supply interact. The various dimensions of employers' views and claims of labour and/or skills 'needs' need to be scrutinised and considered critically alongside the views of and impacts on other stakeholders in the economy and society

The paper draws some broad conclusions from the micro level analysis for the assessment of staff shortages and the design of a skills based immigration policy in practice. First, because of the changing nature, vague meaning and differences in perceptions of skills in different sectors and occupations, policy needs to take a flexible approach to defining and assessing skills or skill requirements for certain jobs. Such an approach needs to go beyond the use of formal measures such as NVQs and critically assess the role and importance of soft skills. At the same time, an immigration policy that adopts the flexibility needed to assess skills must be

accompanied by other policies that enforce minimum labour standards. Policy needs to ensure that the workers with the soft skills and 'attitude' employers say are needed can be and are employed at conditions that comply with minimum wage, health and safety and other labour market regulations.

Second, assessment of the feasibility and impacts of encouraging employers to pursue alternatives to immigration for responding to perceived staff shortages need to consider how employers' choices are constrained and influenced by system effects and contextual factors including the institutional structure and regulatory framework of the British labour market as well as from wider economic developments and public policies (for example, long term restructuring in certain sectors, the provision or lack of public training programmes, the operation and incentives created by the benefits system and the need for effective provision of public services given budget constraints). These system effects can constrain and impact on the incentives underlying employers' choices about how to respond to perceived staff shortages (as well as impacting on the behaviour of workers).

The existence and impacts of system effects, the mutually conditioning relation between labour supply and demand, and the social as well as economic nature of labour markets suggest that expecting employers to pursue alternatives to immigration without taking into account some of the wider economic and policy contexts may not work. For changes in employment and recruitment patterns to be sustainable and to genuinely work in the interests of workers, employers and consumers/clients, changes in immigration and other labour supply side policies are unlikely to be sufficient. Within the current wider economic structure and system therefore, an incremental approach that encourages employers to pursue alternatives to immigration may be more successful than a "big-bang" approach that suddenly and significantly reduces access to migrants, especially in sectors that currently make very heavy use of migrant labour.

1. Introduction¹

Public discourse and policy debates on immigration often involve claims about the “need” for migrants to “help fill labour and skills shortages” and/or to “do the jobs that locals will not or cannot do.” Assessing these claims is a fundamental but contested issue in the discussion and design of labour immigration policy. In the UK, the Government recently set up the Migration Advisory Committee (MAC), a body of independent economists tasked to advise the Government where in the UK economy there are skilled labour shortages that can be ‘sensibly’ filled by migrant workers from outside the European Economic Area (EEA).² The MAC’s current remit focuses on skilled labour shortages. Specifically, the MAC has been asked to produce a list of ‘shortage occupations’ for Tier 2 of the UK’s new points-based system.³ However, future work may also involve analysis of low-skilled labour markets. As explained in its recent report on *Identifying skilled occupations where migration can sensibly help to fill labour shortages* (February 2008), the MAC’s methods will include ‘top-down’ approaches (including analysis of available data from employer skills surveys and the labour force survey) and ‘bottom-up’ approaches which provide more detailed micro-level information about the nature and determinants of labour demand, supply, staff shortages and alternatives to immigration for filling vacancies in key sectors and occupations.

This paper is part of a research project that contributes to the MAC’s ‘bottom-up’ approach by providing an independent analysis and assessment of the nature and determinants of staff shortages in key sectors and occupations of the UK economy. Given the short time period within which the MAC needs to produce its first list of shortage occupations (July 2008), the main method of this project was to mobilise existing information and research rather than to generate new data. To this end, academic experts were commissioned to provide an analytical research perspective on the nature and determinants of staff shortages in seven sectors of the UK economy. The sectoral review papers are as follows:

Bach, S. (2008) “Staff shortages and immigration in the health sector”, A report prepared for the Migration Advisory Committee, Migration Advisory Committee (MAC), London

¹ For their helpful comments on this paper, we would like to thank Alessio Cangiano, Mary Gregory, Karin Heissler, Phil Martin and Ken Mayhew.

² The EEA includes the EU 27 plus Iceland, Liechtenstein and Norway.

³ The Government plans to launch Tier 2 of the new points-based system in late 2008. For the most recent description of Tier 2, see Home Office (2008). For a discussion of the points-based system as a whole, see www.ukba.homeoffice.gov.uk/managingborders/managingmigration/apointsbasedsystem

Chan, P., Clarke, L. and A. Dainty (2008) "Staff shortages and immigration in construction", A report prepared for the Migration Advisory Committee, Migration Advisory Committee (MAC), London

Geddes, A. (2008) "Staff shortages and immigration in food processing", A report prepared for the Migration Advisory Committee, Migration Advisory Committee (MAC), London

Jones, A. (2008) "Staff shortages and immigration in the financial services sector", A report prepared for the Migration Advisory Committee, Migration Advisory Committee (MAC), London

Lucas, R. and S. Mansfield (2008) "Staff shortages and immigration in the hospitality sector", A report prepared for the Migration Advisory Committee, Migration Advisory Committee (MAC), London

Moriarty, J., Manthorpe, J., Hussein, S. and M. Cornes (2008) "Staff shortages and immigration in the social care sector", A report prepared for the Migration Advisory Committee, Migration Advisory Committee (MAC), London

Scott, S. (2008) "Staff shortages and immigration in agriculture", A report prepared for the Migration Advisory Committee, Migration Advisory Committee (MAC), London

The choice of sectors is primarily based on the sectoral distribution of work permits issued to non-EEA workers in recent years (see Salt and Millar 2006). Although taking a sectoral approach, the papers highlight and discuss key occupations in each sector. All sectoral review papers were written during April-May 2008 and are based on a common template of questions (see below).⁴

This overview paper discusses existing research on the key conceptual questions that arise in the analysis of staff shortages and the demand for migrant labour at a micro-level. It draws on some of the evidence laid out in the commissioned sectoral review papers as well as on the broader academic literature. The latter includes a small but rapidly increasing multi-disciplinary body of research on employers' attitudes, incentives and recruitment decisions vis-à-vis migrant

⁴ All papers of this research project (the seven sectoral review papers plus this overview paper) can be downloaded at the MAC's website at www.bia.homeoffice.gov.uk/mac .

labour as well as more long-standing research on skills, labour supply and staff shortages. The paper also explores the implications of the analysis of micro-level factors for the assessment of staff shortages and the design of a skills-based immigration policy in practice.

The paper is structured around the four conceptual questions in the analysis of staff shortages and the demand for migrant labour at a micro-level:

What are employers looking for?

Characteristics, dimensions and determinants of employer demand for labour (section 2)

Who wants to do what?

Characteristics of and segmentations in labour supply (section 3)

How and whom do employers recruit?

Uses and determinants of national stereotypes in recruitment (section 4)

A need for migrant labour?

Immigration and alternative responses to perceived staff shortages (section 5)

The sixth and concluding section of the paper explores the implications of the evidence on these questions for three key issues that the MAC - and any skills-based immigration policy more generally - needs to address: (i) what are the skill requirements of particular jobs?; (ii) is there a staff shortage?; and (iii) is immigration a 'sensible' response to staff shortages?⁵

When considering evidence on the relationship between employer demand and migrant labour as well as the definitional issues raised by the MAC paper published in February 2008, it is important to be aware of the different and *non-substitutable* definitions of 'migrant' and 'employer.' Assessments of research evidence must be sensitive to the different definitions used by different studies. Migrant may be broadly defined either as 'foreign born' (meaning, all persons born outside the UK including some British citizens) or as 'foreign national' (persons without British citizenship). There are also different types of 'employer.' These differences go beyond those to do with the size of business or the proportion of labour costs and in some cases have a direct impact on employment relations. In social care, for example, an employer

⁵ As explained in its February report (MAC 2008), the MAC is asking three key questions about jobs and occupations in the UK: (i) is the job skilled?; (ii) is there a shortage?; and (iii) is it 'sensible' to fill the shortage with migrant workers?

might be a local authority, a private company, a voluntary sector group, an agency ('employment business') or a private individual. This has implications for understanding employer demand for labour, and, crucially for the policy levers that are likely to be effective for one type of employer but that may not work for another.

2. Characteristics, dimensions and determinants of employer demand: What are employers looking for?

Understanding what employers are looking for 'from the bottom up' requires a critical examination of employers' claims about why they need particular workers and why they draw from particular labour pools. This needs to be contextualised within the broader institutional framework within which labour markets are embedded. It brings to the fore the socially contingent nature of job allocation and more broadly the social construction of labour markets and their interrelation with institutions that are exogenous to the relationship between the employer and worker/jobseeker (Granovetter 1985; Peck 1996). Such an approach involves understanding the particularities of how job structures and job designs are shaped, and how very heterogeneous forms of demand are determined in particular times and places. There is no one size fits all approach as labour markets operate differently, depending, for example, on the sector, occupation, type and size of firm and on the extent of labour market segmentation (see Leontaridi 1998; Peck 1996).

In considering the nature of employer demand for labour, it is therefore important to bear in mind the regulatory frameworks and general context of the UK's labour market and economy. There has been a shift in: who is in work (for example, there has been a growth of female employment and prime age male inactivity); wages and employment relations (for example, the decline of trade union membership and the increase in wage inequality); and in the kind of work performed and skills required (for example, job polarization with rises in Goos and Manning's (2007) "lousy" and "lovely" jobs and a decline in "middling" occupations). Clearly these developments are connected to global economic changes as well as to national political shifts. They are also related to the growth in service sectors and patterns in technological change which are changing demands for skills.

Many low skilled jobs, particularly in manufacturing, mining and agriculture have moved to low waged economies, while skilled workers are in demand in sectors such as finance and business services, the professions, and retail management as well as in the reduced manufacturing sector. However, the expansion of service sector jobs has also been associated with de-skilling and the proliferation of “McJobs” in low skilled and low waged service occupations (Lindsay and McQuaid 2004; Talwar 2002). At the same time, the growth of computerisation has had a major impact on the nature of many jobs in terms of the tasks performed. Autor et al. (2003) demonstrate how, as the price of computer technology declines, labour supply is reallocated from routine to nonroutine analytic and interactive tasks, and this is most marked in industries and occupations that have adopted computer technology most rapidly. Thus many occupations now comprise nonroutine tasks that demand “flexibility, creativity, generalized problem-solving capabilities, and complex communications” (Autor et al. 2003): 1284) that cannot (yet) be substituted for by computers.

An important point to draw from this is that employer demand for labour and recruitment processes are far more complex than simple neutral sifting mechanisms that find individuals with the relevant technical skills who are prepared to work for the wage on offer (Adams et al. 2002; Devins and Hogarth 2005; Gore 2005). A key starting point and theme of this paper is that labour demand and supply are not generated independently of one another. Instead, there is a *mutually conditioning* relation between labour demand and supply. Employer demand for labour is malleable, aligning itself with supply, as labour supply adapts to the requirements of demand. As will be later discussed, “what employers want” can be critically influenced by what employers “think they can get” from different groups of workers. In the remainder of this section, we distinguish between the kinds of characteristics (‘skills’ broadly understood) required by employers that are related to the tasks and type of work to be done and those that are related to the employment conditions and relations of the job that is being made available (including, whether the work is full or part-time, temporary or permanent). This is for the purposes of analysis only. As shall be seen, these two aspects of employer demand are closely related and sometimes interchangeable.

2.1 ‘Skills’

Employers may require certain qualifications, and even if not required, they are often willing to pay a premium for a worker with particular skills. Although commonly used in academic, public and policy discourse, the term ‘skills’ is a very vague term both conceptually and empirically as

it can refer to a wide range of qualifications and competencies whose meaning in practice is not always clear and needs to be scrutinised.⁶ Research has long pointed out that the notion of 'skill' is socially constructed and highly gendered (Peck 1996; Phillips and Taylor 1980). Skills can require years of specialised training, a one day course, or refer to basic literacy and numeracy. Crudely speaking 'skills' can be credentialised (for example, National Vocational Qualifications (NVQs), professional qualifications, and apprenticeships), and/or highly specialised (as in financial services or in information technology (IT) sector) but the word can also be used to refer to generic 'soft' skills. What is and is not credentialised changes, and jobs can shift from 'low-skilled' to 'skilled' and vice versa without necessarily changing in their content. Vocational qualifications in social care for example have only been recently introduced, and some care workers' skills in, for example, massage may not be recognised even though they may significantly increase the quality of care received by care users (Moriarty et al. 2008). In construction, many areas of work that require considerable expertise (for example, concreting and groundworks) are not recognised as skilled despite extensive contractor lobbying (Chan, Clarke and Dainty 2008).

The adequacy of NVQs and other formal qualifications to capture the skills requirement is regarded with some scepticism across many sectors (Bach 2008; Chan, Clarke and Dainty 2008; Jones 2008; Lucas and Mansfield 2008; Moriarty et al. 2008). This is evident in employer demand for *experience*. The existence of sufficient numbers of people with the right formal qualifications does not guarantee the absence of recruitment difficulties. Thus, as Bach (2008) points out, it is more experienced nurses that the National Health Service (NHS) has difficulty in recruiting. Similarly in the financial services sector, those in demand are likely to be at later stages in their career (Jones 2008). Some of the reasons for shortages in hospitality management skills are related to workers' limited experience in the hospitality sector (Lucas and Mansfield 2008).

The limitation of formal qualifications as a measure of skills becomes most apparent when one considers 'soft' skills. These may be important to performing a job but not captured through formal qualifications. They cover a broad range of competences, transferable across

⁶ For example, the latest report on the findings of the National Employer Skills Survey (NESS) 2007 identified thirteen different types of "skill" that employers said were lacking: technical and practical skills; oral communication skills; customer handling skills; problem-solving skills; team-working skills; written communication skills; management skills; literacy skills; numeracy skills; office/admin skills; IT professional skills; foreign language skills; and general IT user skills (Learning and Skills Council 2008:10).

occupations (rather than being specialised) from 'problem solving' to teamworking, and they are exactly those skills identified by Autor et al. (2003) as increasingly required as a result of technological change. They can also be crucial complements to 'hard' skills, particularly when formal qualifications have an overly narrow focus (Chan, Clarke and Dainty 2008).

Soft skills are often said to be particularly important in sectors where social relations with customers, clients and/or service users are important to the delivery and *quality* of the work. Certain 'skills' may be necessary to make sure the job is to be done well and in a way that contributes to a good service experience for customers or clients, rather than simply to complete the task. They may also thereby make an important contribution to profitability. For example, the social nature of business activity and its rapid computerisation mean that high and mid-order financial service occupations require interpersonal and other soft skills as well as professional training (Jones 2008); the quality of care delivered in both health and social care sectors is affected by the soft skills of those providing care with some service users actively expressing a preference for personal qualities over formal qualifications (Bach 2008; Moriarty et al. 2008).

At the same time, 'skills' can also be used to refer to attributes and characteristics that are in practice related to improved control over the workforce and therefore considered desirable by employers. Soft skills can shade into 'personal characteristics' and attitudes and what Payne (2000) calls the "fudging of skill with behaviour" (Belt and Richardson 2005; Jackson et al. 2005; Keep and Mayhew 1999). Employers may find certain qualities and attitudes desirable because they suggest workers will be compliant, easy to discipline and co-operative (Jackson et al. 2005; Keep and Mayhew 1999; Martin and Grove 2002; Payne 2000; Warhurst and Nickson 2007). Thus in this way 'skills' may shade into qualities that are associated with toleration of particular employment conditions (as will be discussed in the following sub-section).

The fuzziness of 'skill' is exacerbated by its application to demeanour, accent, style, and even physical appearance. There is a growing literature on the body and work which acknowledges the importance of physical bodies to work, organisations and employment relations (see Wolkowitz 2006 for a review). It has of course long been recognised that certain types of bodies (most obviously, gendered, racialised and aged) are considered more suitable for certain types of work and that bodies may be used as signifiers for certain attributes, for example, stamina, emotional competence, and laziness (Anderson 2000). There is a possibility that, as skills soften, these signifiers assume greater importance for those occupations which have less

regulation regarding formal qualifications and where employers consequently have greater discretion in recruitment (see the discussion in section 4).

The literature on the body and work has recently been complemented by the conceptualisation of 'aesthetic labour,' defined as the "mobilisation, development and commodification of the embodied capacities and attributes of employees" (Nickson et al. 2001). This, it is argued, is an important aspect of service employment, where an embodied interaction is part of the labour process and, for certain occupations, physical appearance is an important factor in demand, though this is often unacknowledged (Martin and Grove 2002; Pettinger 2005). In certain occupations in the retail sector (particularly fashion), and in restaurants and hotels, workers' physical appearance can matter; for call centres, accent can be important (McDowell 1997; Warhurst and Nickson 2007; Wolkowitz 2006). Thus 'skill' can also be used to apply to a worker who 'looks and sounds right' (Nickson et al. 2001; Warhurst and Nickson 2007). Whether this is a result of employer demand, or a demand imposed by clients and customers on employers, is debatable. Employers in hospitality and other sectors where the production process is 'triadic' – involving workers, bosses and customers – may argue that this is a requirement which is customer led (Lucas and Mansfield 2008) and which employers have to meet in order to attract business and remain competitive. However, employers are not neutral but play a role in shaping the expectations of customers and clients. Moreover, the relative acceptability of customer/service user 'demand' for workers of certain attributes including gender and (perceived) ethnicities is contested and varies in part with the type of business and sector, and sometimes the ethnicity of the service user. For example, the expectation that in a restaurant serving a certain cuisine, a customer is served by a waiter or waitress who looks or sounds like he or she is from the country where the type of food being served originates from is not necessarily regarded as problematic (Lucas and Mansfield 2008), but the requirement for particular ethnicities of carer is more usually recognised as potentially discriminatory (Anderson 2007c; Moriarty et al. 2008).

2.2 Characteristics related to employment conditions and employment relations

As well as whether a worker has the 'skills' however understood, to do a job, an employer must also assess whether a worker will tolerate particular employment conditions and employment relations, some of which may be regarded as in the nature of the work. Customer service

interactions in hospitality for example may be “stressful and emotionally draining” (Lucas and Mansfield 2008) as may the relations in social care. Labouring in construction, care or agriculture, for example, while labelled ‘unskilled’ may nevertheless be extremely physically demanding. However even ‘intrinsic’ employment conditions may be subject to change with employers and workers playing an important role.

Employment status: the legal relationship

The legal relation between worker and employer is crucial in delineating the employment relationship in the formal economy. Employment rights and responsibilities depend on employment status, firstly whether a person is self employed or employed, and, if it is the latter, whether they are classified in law as a ‘worker’ or ‘employee.’⁷ While all workers are entitled to the national minimum wage and health and safety protection, many rights and responsibilities only apply to ‘employees’ including the right to claim unfair dismissal and the right to a written statement of terms and conditions.⁸

Many sectors, but particularly agriculture and food processing, make use of ‘agency labour.’ Agency workers are often not directly employed by the ‘labour user,’ but by an employment business (or ‘labour providing agency’). Agency workers have significantly fewer rights than those who are directly employed: they can be hired on lower hourly rates than the directly employed and on worse terms and conditions, and do not have rights to benefits such as overtime and sickness pay. They are also less likely to be members of a trades union. It should be noted however that some workers actively prefer agency working, sometimes as a means of avoiding some of the problems of being a permanent staff member, or as a response to declining conditions in permanent jobs (Bach 2008; Moriarty et al. 2008).

The UK has a much higher proportion of agency workers than many other countries: 4.3 percent of the workforce on any one day as compared with 2.1 percent in the United States and 1.3 percent in Ireland (TUC Commission on Vulnerable Employment 2008). The proportion of agency workers is particularly high in some of the sectors reviewed in this project: food

⁷ An *employee* is an individual who works under a contract of employment or Apprenticeship (Employment Rights Act 1996 S 230 (1)). A *worker* is not under a contract of employment but usually working under a contract for providing services to an employer. “A contract for services is where a person or an organisation is under an obligation to perform some work or service for another person or organisation without creating an employment relationship” (Dhudwar 2006).

⁸ Many employee rights are subject to a qualifying period and do not start from day one of employment.

processing, agriculture and hospitality. Employers use agency workers for a variety of reasons. While they are typically associated with temporary work, one in four agency workers has been in the same job for over a year, and over half for six months or more (TUC Commission on Vulnerable Employment 2008). Their use may increase when economic prospects are uncertain (Taylor 2008).

The prevalence of agency work in certain sectors has important implications for employer demand: first, the generator of the demand for labour (the labour user) is not the same as the 'employer,' and; second, the labour user is shaping the workforce principally through choosing to employ a workforce with a particular employment status rather than by direct selection of individual workers.

Migrants are disproportionately likely to be agency workers. Geddes (2008) cites a 2005 study by Precision Prospecting which found that nearly 90 percent of agency workers employed in second stage food processing businesses were migrants. He identifies that only nine percent of the 1,067 gangmasters registered with the Gangmasters' Licensing Authority (GLA) employed only British workers in comparison with 23 percent employing only migrants, and that 82 percent of registered gangmasters employed at least some Polish workers (Geddes 2008: 22).

Employment relations: controlling for worker effort

Good employment relations are important for worker effort which can be extremely difficult for employers to control. As Peck (1996: 34) puts it: "With any one hiring decision, they [employers] may be recruiting either a future employee of the year or a future shop-floor agitator." This issue is ever more prominent as the proportion of autonomous jobs comprising non-routine tasks increases. Employers may prefer workers who monitor their own performance and describe them as having a good 'work ethic' (Champlin and Hake 2006; Johnson-Webb 2002; Karjanen 2008). 'Work ethic' is, however, located within a broad range of institutional and non-institutional mechanisms that lay out the parameters of the relation between employers and workers. These include trades union membership, employee participation in decision making, managerial strategies and non-wage benefits, as well as the more formalised legal relation between worker and employer. The specificities vary between sectors, occupations and type of employer. In the health sector, for example, staff involvement

and participation is recognised as an important factor in staff morale (Bach 2008) while in hospitality, poor management strategies are acknowledged to impact on turnover (Lucas and Mansfield 2008). In the service sectors, workers' relations with customers/service users may also influence their employment relations (Lucas and Mansfield 2008).

Some aspects of employment conditions and employment relations are related to the worker's employment status (the right to maternity and paternity leave for example); others can be more directly influenced by the employer. Some employers may, for example, voluntarily offer non-wage benefits to facilitate good or better employment conditions and relations. Moriarty et al. (2008) gives the example of Leicester Council classifying home carers as essential car users with attendant parking privileges and access to car leasing. However in some instances what may be presented as non-wage benefits by employers may not be so perceived by workers. The provision of accommodation in agriculture, hospitality, health and social care may be felt by employers to be a means of helping employees save on transport and housing costs. However 'living in' is not necessarily actively wanted by employees, while there are advantages to the employer of housing workers at or close to their work (Low Pay Commission 2006).

Temporal dimensions of employment

The temporal dimensions of employment are clearly important in shaping labour demand and supply, both in terms of how time is allocated within work (for example, part time, full time and shift work); and how time is allocated around work, that is whether work is temporary or permanent, and who controls the period of employment.

The configuration of jobs is shaped by many factors some of which are not within individual employers' control. Shift work or anti-social hours may be intrinsic to the nature of the work itself. For example, some care users need 24 hour care, which means that somebody has to work a night shift. Shift work can also be related to broader socio-economic factors. Pubs and clubs attract most customers in the evening, and part time hospitality staff are required to service customers at this time (Lucas and Mansfield 2008). Some 'employer demands' are indeed shaped by technology, by the phasing of service requirements and demand, and by sectoral particularities. In agriculture, consumer demand, the dominance of large retailers and sectoral consolidation, have combined with technological change to require ever more flexible seasonal workers (Scott 2008). However, employers, while constrained to an extent by these

broader factors, also have a role to play and will endeavour to shape jobs in the interest of the business: they might for example, decide to employ part time or agency staff rather than offer overtime to full time employees. Moriarty et al. (2008) observe staff shortages of care workers in local councils are more likely to be met by agency staff, while the private sector is more likely to use paid and unpaid overtime. While employers generally have some control over whether employment is temporary or permanent, retaining workers for as long as they are needed can be extremely challenging for some occupations. As was seen in the discussion on skills and experience, what may at times be perceived as recruitment problems may be essentially the result of labour turnover (Devins and Hogarth 2005). Some employers do not perceive high turnover to be a problem (Lucas and Mansfield 2008), and for others it is in the nature of the work – as with construction projects, or certain types of seasonal agricultural work, where employers actively avoid long term employment relationships as they are not profitable. However, even under these conditions an employer is anxious to retain labour for the period for which it is needed and seeks to control the length of employment (Anderson 2007a). Retention is more generally a cause for concern in sectors like social care where trust and familiarity are at a premium or where employers invest in training their labour force. Employers' strategies on retention of workers may also be partly a function of the characteristics of labour supply. As discussed later in the paper, employers may not regard it worth investing in training for segments of the labour market that are perceived as 'transient' such as students and some migrants, which in turn may affect job satisfaction and turnover.

Employers' answers to the question "What are employers looking for?" must be critically interrogated at both individual and macro levels. While individual employers may have a particular understanding of skills requirements for certain jobs, what employers construct as 'skills needs' may also be influenced by employers' concern for profitability and control of the workforce. More broadly there is a need to consider the constraints within which employers are operating, some of which are outside their control. The mutually constitutive relation between demand and supply means that part of the answer to "What are employers looking for?" lies in the characteristics of and segmentations in labour supply.

3. Characteristics of and segmentations in labour supply: Who wants to do what?

The (potential) workforce is highly diverse, has different frames of reference and is differently motivated to participate in the labour market. In considering segmentations in supply we will

first consider the motivations and constraints for different pools of labour. We then discuss mismatches of demand and supply in terms of geography, skills and expectations.

3.1 Potential pools of labour

Given their different characteristics and frames of reference, and the mutually conditioning relation between supply and demand, potential workers will have different constraints and motivations when it comes to considering certain types of work. For the purposes of illustration we will briefly consider three groups that might potentially put themselves forward for vacancies. These are necessarily generalised and principally serve to demonstrate the kinds of issues that might impinge on whether individuals put themselves forward for jobs assuming they all have equivalent qualifications. We will consider (i) the unemployed and inactive; (ii) students; and (iii) migrant workers. It should be emphasised that these are not at all homogenous groups but are themselves segmented by, for example, gender, race, ethnicity, class, nationality and immigration status.

Unemployed and inactive

In early 2008, there were 7.8 million economically inactive people of working age compared to 1.6 million unemployed (Office for National Statistics 2008). Inactivity rates among prime age men have risen by a factor of five since the early 1970s (Faggio and Nickell 2005; Tomkins 2008), and over two and a half million people are now living on incapacity benefit (Tomkins 2008). This shift has been particularly marked among low skilled men. There is a relation between incapacity benefit and early retirement, with moves to retirement via incapacity benefit and ill health particularly for those not covered by occupational pensions (Disney 1999). For women there are some indications that caring responsibilities can lead to a decision to retire.

Though popularly presented as a problem to do with laziness and “sick note Britain,” the factors underlying this shift are recognised to be less to do with laziness and more to do with changes in the labour market and the operation of the benefit system as well as a significant increase in the incidence of chronic illness and disability. Faggio and Nickell (2005) argue that unskilled men with chronic health problems were particularly vulnerable when the market for low skilled labour weakened.

The operation of the benefit system can make job seekers reluctant to apply for certain jobs, particularly if they are temporary and/or low waged. Both Geddes (2008) and Scott (2008) refer

to the lack of flexibility of the benefits system acting as a disincentive for taking on seasonal work in agriculture and food processing. Workers who are eligible for benefits, who have dependants, and who are looking for a long term engagement with the labour market may be more reluctant to consider entry level jobs. They are less mobile than other workers, partly because of the cost of housing (Murphy et al. 2006). They may be looking for work close to home that offers prospects of promotion, a reasonable wage, and security of hours. They may also be looking for work that is consistent with their particular skills and experience (Lindsay and McQuaid 2004; Tomkins 2008). Some of those who have been on incapacity benefit and older workers may be reluctant to take on work that is physically and/or emotionally demanding. Skills often deteriorate during periods of unemployment or inactivity, and what may well be required are upgraded technological skills. Moreover as Warhurst and Nickson (2007) point out, it is often those most in need of paid work that are in practise the least likely to possess the social, attitudinal and aesthetic skills in demand.

For employers to draw from this labour pool requires not just a change in processes of recruitment and training, but having mechanisms of support to compensate for the effects of long term unemployment or inactivity and the constraints of caring responsibilities, as well as recognising workers' longer term aspirations and expectations of employment.

Students

The participation of students in the labour market has markedly increased in recent years, to the extent that some have argued that the retail and hospitality sectors have become structurally dependent on them (Canny 2002). Students are a young and casualised labour force that is flexible and cheap, well educated and articulate. They provide a higher level of skills for the money, are unlikely to have caring responsibilities and may be more tolerant of unpredictability than other labour segments. A proportion of students who are working will be migrant student visa holders who are, like UK and other EEA nationals, working to support themselves during their studies. The growth in UK student part time working is in large part to do with the phasing out of grant funding to students. However, as well as financial incentives, students may find in practise that there are non monetary advantages to work: it can provide experience and represent independence and social status. The requirements of their courses and the fact that they often do not have dependants mean that many are prepared to take on jobs with anti-social hours, and, since this work is perceived as temporary, they may be prepared to do jobs that they would not consider if they were permanent positions (Curtis and Lucas 2001; Hofman and

Steijn 2003; Lucas and Mansfield 2008). This transience may, on the other hand, mitigate against training and long term investment.

Migrants

Employers may turn to potential migrants living abroad, or to migrants already residing in the UK. In the latter case they may form part of the student labour force discussed above, and share similar characteristics with them. In particular, certain types of immigration status, as well as practicality, militate against migrants having family with them which can facilitate mobility and tolerance of unpredictability. Certain groups of migrants may be prepared to do work for which they are overqualified, either because they have a ‘temporary mindset’ or because of the wage differential with their country of origin (or indeed both). The low status of certain types of work may be more tolerable because they are not in their country of origin (Scott 2008). Many, depending on immigration status, are not eligible for benefits, and their options for legal employment may be limited – they may for example, only be able to work part time or temporarily. They may, like students, value non-monetary aspects of employment, such as learning English (Anderson et al. 2006). Reasons for employers’ recruitment of migrants will be further discussed in Section 4

3.2 Mismatches: expectations, geography, and skills

The differing frames of reference and constraints of (potential) jobseekers are important factors in understanding mismatches between demand and supply, in terms of expectations, geography and skills.

Mismatches in expectations

Differences in expectations between workers and employers are recognised as increasingly important, especially the job seeker’s presentation of skills on the one hand and the employer’s “fundamentally unattractive employment propositions” on the other (Adams et al. 2002). This is particularly relevant as a factor in explaining the persistence of ‘hard to fill vacancies’ (HtFVs) in areas where unemployment is high. As the sectoral review papers indicate, unsocial hours, low wages, temporariness, lack of opportunities for promotion or personal development as well as the low status of work can all prevent job seekers from applying for particular positions (Belt and Richardson 2005; Devins and Hogarth 2005; Lindsay and McQuaid 2004).

Issues raised by HtFVs in areas of unemployment are in part a subset of why particular groups of people 'choose' (or not) to do certain types of jobs which is in turn related to broader socialisation as it affects both workers and employers. Job seekers and employers may not feel that they are the right 'type' of person for the job. Thus a male ex steelworker may not put himself forward to clean private households, even though he might be perfectly capable of doing so. Moreover should he do so, he might find private householders reluctant to take him on (Anderson 2007c). The prevalence of feminised jobs in the service sector can be a real problem for older male job seekers who may consider themselves lacking in communication and other skills, or simply not right for the job. This can be compounded by employers' (and colleagues') responses to their applications (Lindsay and McQuaid 2004; Lucas and Mansfield 2008).

Geographical mismatches

Spatial mismatch and geographical immobility have long been recognised as features of the UK labour market (Adams et al. 2002; Collier 2005). This is reflected in the sectoral review papers. However the extent of regional differences is not uncontested (Jackman and Savouri 1999). As Dickens et al. (2000) point out, geography does matter, but there has always been greater variation in unemployment *within* regions than there has been between regions, that is, the local area matters. The important role of the housing market in shaping internal labour mobility and regional labour markets has been acknowledged – high house prices can prevent movement if not accompanied by expected earnings growth (Murphy et al. 2006). House price affordability is a particular problem in rural areas and is acknowledged as an important factor in the labour markets for food processing, agriculture and social care (Geddes 2008; Moriarty et al. 2008; Scott 2008). For lower waged work in agriculture and social care for example, the provision of accommodation can facilitate mobility, but the immobility of British workers may be a limiting factor in labour supply for construction and seasonal work in agriculture.

Spatial mismatches can be global, and it cannot be assumed that UK trainees in occupations for which there is a globalised labour market will remain in the national labour market after they have qualified or attained a certain level of experience. As Bach (2008) points out, the UK is a significant source country for health professionals. Nurses born in the UK comprise the second largest stock of migrant nurses after the Philippines in OECD countries. For some migrant

health workers the UK is a stepping stone to the United States (US). It is also worth considering the impact of 'youth mobility' and other forms of movement which are facilitated by citizenship status (EU nationals for instance). Lucas and Mansfield (2008) suggest that many migrants working in the UK may be students in the equivalent of their 'gap' year. In the same way, UK nationals may work, for example, in Australia doing similar jobs, perhaps including those that they would not consider doing back in the UK.

Skills mismatches

In the UK, the shift into service work and away from manufacturing, and the impact of technology have had a considerable impact on the kinds of work that are available and on the kinds of workers required (Murphy et al. 2006; Warhurst and Nickson 2007). Policy (both nationally and at the EU level) and academic debate have been making extensive use of the term 'employability,' indicating both a concept and a framework for policy analysis (Baruch 2001; Department of Higher and Further Education Training and Employment 2002; Hillage and Pollard 1998; McQuaid and Lindsay 2005). When the 'New Deal' was announced by the Labour government (1997), it was described as being defined by the principles of "quality, continuity and *employability*" (DfEE 1997 cited in McQuaid and Lindsay 2005). Employability is a minimum criterion for employers, and in policy approaches it can go together with upskilling – as has been the case with the 'New Deal' (Dickens et al. 2000; Fraser 2004). However, what is actually meant by the term is unclear. Some have pointed to a concern that the concept has been used too narrowly, particularly by policymakers, and has focussed overly on supply side, for example, on individuals and their 'employability skills' (Lister 2001). However, there have been attempts by academic research to take a broader more multi-faceted approach. For example, McQuaid and Lindsay (2005) attempt to move beyond the supply/demand dichotomy and use the concept of employability to integrate individual factors (for example, attributes, qualifications, skills and competences), with personal circumstances related to their household and other social circumstances (such as caring responsibilities, access to transport and household attitudes to employment) and external factors (for example, level of local demand, macroeconomic factors and employment policy).

Training may seem an obvious response to skills mismatches although it does not necessarily solve the problem of geographical mismatch. However, Kent's identification, cited by Lucas and Mansfield (2008) of a "sector paradox" in hospitality that one third of employers are not

engaging in any staff training although two thirds recognise the business benefits of training, is not limited to the hospitality sector. In construction for example, the need for more training is widely recognised across the industry, yet there is a serious shortage of work placements for trainees (Chan, Clarke and Dainty 2008).

Investing in training will not necessarily solve employers' short term requirements for which they must select from the current labour pool, particularly if they require later career stage, experienced skilled workers, rather than newly trained graduates (Khoo et al. 2007). Ensuring sufficient training places is not enough to deal with perceived shortages because of attrition before, during and after training. At the same time, oversupply in the short term can equally risk newly qualified trainees leaving and exacerbate longer term shortages (Bach 2008). Training can be a risky investment for employers, and free riding and poaching of trained labour can be a serious problem (Chan, Clarke and Dainty 2008; Lucas and Mansfield 2008). Investing in training as a response to *anticipated* demand is also a risk. Gore (2005) cites a scheme to train unemployed people as IT support engineers in Scotland. Macroeconomic and market changes in the IT sector 18 months later meant that, by the time they had been trained, there was only one job available for them (and that was running the project).

Where the work is highly specialised and training lengthy, improving supply has to begin early in the education/training process. This raises the question of who should be responsible for training. The state, employers and workers all play a different role depending on sector and occupation, and the relation between these different actors can be crucial. Greater co-operation between employers and training providers has been recognised as important in both hospitality and construction sectors (Lucas and Mansfield 2008). Industry fragmentation, particularly size of business, can have an impact on training as small providers may find training more onerous (Chan, Clarke and Dainty 2008; Lucas and Mansfield 2008) and be disproportionately affected by poaching. Skills mismatch can continue even after training courses end if for instance there are poor links between employers and training organisations. Adams et al. (2002) call for job placement rather than training. Projects such as those funded under the New Deal Innovation Fund and the Ambition banner focussed on more demand led approaches, building partnerships between training organisations, employment agencies and Further Education (FE) colleges with employers and employer coalitions to create training/work placements followed by formal employment (Gore 2005). However attempts to link training, placement and employer demand more closely have faced a number of challenges, including a lack of interest from employers

(partly because of the ‘free-rider’ problem) and limited post employment support (Gore 2005; McQuaid and Lindsay 2005; Warhurst and Nickson 2007). Other research has also found that a lack of recognition of the specific challenges faced by segments of the workforce and, importantly, the quality of some of the jobs that ex-trainees are moving to has resulted in continuing labour force turnover (Belt and Richardson 2005; Devins and Hogarth 2005). Employers’ involvement, not just in providing short term training, but also in ensuring long term career progression appears to be of crucial importance.

Answering the question “Who wants to do what?” is not simply a matter of mapping individuals’ preferences and opportunities. Potential workers are differentially constrained and have different frames of reference. Mismatches in the labour market are unlikely to be addressed by an exclusive supply side approach that focuses on workers alone. Our discussion and other research suggest that reducing mismatches requires consideration of broader labour market processes and circumstances, including recruitment processes, job structures and designs and employer demand more generally (Collier 2005; Gore 2005).

4. Immigration and labour demand: How and whom do employers recruit?

Faced with a segmented and highly diverse pool of labour, how and *whom* do employers recruit? To discuss this question, we first briefly review employers’ use of national and other stereotypes in the recruitment of workers. This is followed by a discussion of the implications of “what employers want” (as reviewed in section 2) for “whom employers recruit,” given their perceptions of the different types of workers within the available pool of labour (as described in section 3). Given this paper’s concern with the demand for migrant labour, we focus on why and how employers use workers’ *nationality* as a proxy for determining the suitability of different groups of workers to do particular types of jobs.

4.1 Discrimination and stereotyping in recruitment

The suitability of workers for specific jobs is sometimes determined *categorically*, based for example, on gender, age, race and/or nationality of the job candidates (Duncan and Loretto 2004; Waldinger and Lichter 2003) rather than on individual merit. This may be because employers have limited or incomplete information about the personal characteristics and

attributes of individual applicants, because of time and money limiting recruitment resources, and/or simply because of individual prejudices on the part of the person recruiting (Moss and Tilly 2001). Recruitment based on the grounds of race, gender, age, disability or sexuality has been extensively described and (see, for example, (Blackburn et al. 2002; Creegan et al. 2003; Duncan and Loretto 2004; Gersen 2007). There is substantially less attention paid to recruitment based on *nationality*. The migration literature does suggest however that, although varying with the job under consideration, nationality of workers (somewhat artificially considered as distinct from 'race') can be an important category and criterion for hiring workers. In their analysis of employers' recruitment practises in California, Waldinger and Lichter (2003) suggest that employers have a "cognitive map" that includes a variable "hiring queue" which orders job candidates by racial and ethnic origin. Nationality has been found to be a major criterion for recruiting workers in low-waged sectors in the UK economy (Anderson 2007c; Anderson et al. 2006; Matthews and Ruhs 2007). Karajan (2008) shows how gender, race and nationality are important considerations in employers' recruitment practises in the service sector in San Diego, California. In their discussion of the replacement of Caribbean by Mexican workers under Canada's Seasonal Agricultural Worker Program, Preibisch and Binford (2007) argue that Canadian growers and others engage in "country surfing" for what they perceive to be the most suitable workforce.

While there is some evidence that nationality and/or country of origin, does figure as a proxy for selecting and recruiting workers, its significance is likely to vary with the job and job requirements under consideration. It should also be noted that the national stereotypes that employers use in the recruitment of migrants may often refer to relatively recent arrivals rather than to those with a settled immigration status (Anderson 2007b). This is because the attitudes and characteristics of migrants may converge, or be perceived to converge, to those of local workers over time. How national stereotypes operate is complex and often not reducible to simple individual prejudices, but is related to how employers respond to (and perpetuate) wider structural imbalances and inequalities in local and global labour markets (Baumle and Fossett 2005).

4.2 Factors affecting national stereotyping and employers' "hiring queue"

The remainder of this section explores the potential factors that may encourage employers to engage in 'national stereotyping' in the recruitment of labour, that is to develop ordered (but variable) preferences for particular groups of workers based on their nationality and/or their status as migrants more generally.⁹ Although listed separately, many of the factors discussed below are clearly overlapping and inter-connected.

Workers' expectations about wages and employment conditions

Migrants, especially recent arrivals and those intending a temporary stay abroad, usually operate with a "dual frame of reference" (Piore 1979). Research in and outside the UK suggests that employers are typically acutely aware of the economic and other trade-offs that migrants are willing to make by tolerating wages and employment conditions that are poor by the standards of their host country but higher than those prevailing in migrants' countries of origin, (for the UK see, for example, Anderson et al. 2006; for the US, see Waldinger and Lichter 2003). In the UK, employers in agriculture and food processing openly acknowledge that the wages and employment conditions they offer for low-skilled work are considered unacceptable to most local workers (Geddes 2008; Scott 2008). Similarly, in the social care sector and in hospitality, low pay and unsocial hours are cited as major reasons for difficulties with recruitment and retention of workers (Lucas and Mansfield 2008; Moriarty et al. 2008). Chan, Clarke and Dainty (2008) report that, despite similar levels of age, skill and experience, construction operatives at London Heathrow's Terminal 5 were sometimes recruited at different rates for similar work, with East Europeans and other migrant groups receiving lower wages than other workers.

The differences in reservation wages (that is, the minimum wage that workers are prepared to work for) and expected minimum employment conditions between migrants and locals, and between different groups of migrants, can be expected to have an important impact on 'whom' profit-maximising employers recruit. Saucedo (2006) argues that when setting pay rates and employment conditions for particular jobs, employers effectively choose the ethnic composition of their workforce.

The impact of wages and employment conditions on the national composition of the workforce is not confined to the lowest paying occupations and sectors in the labour market. For example,

⁹ This "national" stereotyping may overlap with racial stereotyping (Anderson 2007c).

Bach (2008) reports that in the health sector, non-EEA medical staff are concentrated in Associate Specialist (AS) grades which British nationals are reluctant to fill. AS grades are not protected by national terms and conditions of employment. They also do not incorporate postgraduate training that leads to consultants' posts. According to the Royal College of Nursing 2007 (cited in Bach 2008) some employers, especially in parts of the independent sector do not provide adequate training to enable migrant nurses to gain registration in the UK so that they can remain employed on lower paid grades.

In her study of the recruitment of immigrant farm workers in South Africa, Johnston (2007) points out that when asked about low wages and precarious employment conditions, employers often claim a charitable motive in the provision of employment for "poor" migrant workers. Anderson (2007b) reported similar findings in her work on migrant domestic workers in the UK, where employment relations were facilitated by employers' belief that low waged, low status work represented real opportunities when offered to migrants.

'Work ethic and productivity'

Existing studies that involve interviews with employers of migrants often highlight employers' comments about migrants' perceived superior 'attitude' and 'work ethic' when compared to local workers (Anderson et al. 2006; Dench et al. 2006; House of Lords 2008). Among the UK sectors reviewed in this research, migrants' superior work ethic appears to be most commonly mentioned by employers offering low-paying jobs in agriculture, food processing, hospitality and social care. Scott (2008) surveyed almost 600 UK farmers and found that 91 percent of the perceived advantage of hiring migrants is due to their alleged better work ethic. Employers often rank different groups of workers based on their perceived 'work ethic.' For a recent example from the US, Karjanen (2008) discusses the "cultural constructions of the value of labour" comparing employers' assessments of various characteristics of Mexican, black and white employees in San Diego, California. Employers considered Mexicans as slightly more 'hardworking' than whites and more than twice as hard-working as black employees.

As discussed in section 2, the catch-all-term of 'work ethic' can capture a range of factors related to employers' subjective needs and job requirements. The reason migrants are often seen as 'good workers' typically include their alleged greater docility, flexibility and subservience (Johnston 2007; Saucedo 2006; Waldinger and Lichter 2003). For example, employers in the

UK's hospitality sector value the fact that migrants work longer hours than locals (Dench 2003 cited in Lucas and Mansfield 2008). Bach (2008) reports that, in the health sector, medical staff often fill posts in unpopular specialties and localities. Migrant nurses are more likely to work permanent nights, and non-EEA nurses are expected to undertake less technical direct-care duties (Royal College of Nurses 2007 and O'Brien 2007, cited in Bach (2008).

There are a variety of reasons why certain groups of migrants are perceived to possess a 'better work ethic' than some other workers. Many explanations stem, again, from migrants' different frame of reference and their consequent greater willingness to do the job *on the employer's terms* (Waldinger and Lichter 2003) compared to domestic workers. Some refer to employers' beliefs that migrants are less likely to be trades union members (Champlin and Hake 2006; Rodriguez 2004). However, there may also be other factors such as the absence or smaller size of family and social networks which, according to Preibisch and Binford (2007), encourage migrant workers to work long days and through weekends. The perceived greater 'flexibility' of migrants may also be linked to migrants' accommodation in the UK. Lucas and Mansfield (2008: 23) point out that almost half of migrants employed in the UK's hospitality sector live in accommodation provided by the employer, making them "in effect, available 24 hours a day."

Employers' assessments of the suitability of workers may also be based on their perceived cultural traits and characteristics. For example, in the social care sector, some migrants may be seen as having a "more caring ethos" and a greater willingness to help others than other workers, making them more suitable for certain roles (Moriarty et al. 2008: 28). In some instances perceived cultural capital seems to be more related to *productivity*. For example, the qualities attributed to migrants by agricultural employers responding to Scott's survey included: "willing, hard, positive, committed, keen, reliable, available, flexible, polite, good, pleasant, loyal, honest, punctual, and happy 'worker'" (Scott, 2008:50). Similarly Lucas and Mansfield (2008) cite 'key words' like "'motivated,' 'reliable,' 'committed', 'excellent attitude,' 'hardworking,' 'flexible'" (Lucas and Mansfield 2008: 22). In Park's study of employers recruiting assembly workers in the high technology industry in Silicon valley, employers emphasised "the 'positive' cultural qualities of Asian Americans and Latinos that make them ideal candidates for the specific requirements of assembly work" (Park 1999: 229).

Overqualified workers and 'national' skills

Because of their different frame of reference, new migrants, such as East European workers in the UK, are often prepared to accept jobs whose skill requirements are significantly below their actual skills and qualifications, thus creating “high quality workers for low-waged jobs” (Anderson et al. 2006). Drinkwater et al. (2008) highlight the discrepancy between recent East European migrants’ skills and jobs in the UK, as partly reflected in very low financial returns to education. Recent migrants’ greater qualifications and skill levels are likely to make them more attractive to employers compared to domestic workers or more established foreign born migrants competing for these jobs. At the same time, inadequate English language skills may sometimes prevent employers from hiring migrants. The importance of English language varies across different occupations. For some occupations the emphasis on social interaction and requirements for language ability is such that they are a factor in explaining why migrants are not prominent in the workforce (Jones 2008), while other occupations may be skilled but, in some employers’ views, not require English (chefs in so-called ‘ethnic cuisine restaurants’ are a contested example, see below).

In some cases, employer demand for particular groups of migrant labour may reflect a demand for specified skills or knowledge related to particular countries including foreign language skills. For example, in the financial services sector, the increasing diversity and specialisations such as trading in exotic derivatives, private equity, and pension funds and the growth of China, India and other emerging economies in Asia have created a demand for experts in these specialised products and particular regions of the world, including for highly skilled workers from these regions (Jones 2008). In social care, cultural knowledge and foreign language skills can be useful assets when caring for an ethnically diverse population (Moriarty et al. 2008). Similar considerations also apply to other occupations (for example, in hospitality) where the production process is ‘triadic’ and where the group of customers is ethnically diverse. However, employers often have a role in setting customers’ expectations. As discussed in section 2, one must critically interrogate employer recourse to customer/service user ‘demand’ for particular nationalities as an explanation for particular employment patterns.

Whether or not these specialised skills related to particular countries and/or regions can be taught to and acquired by local workers and, consequently, whether certain products and services can only be provided by workers from particular countries is a highly contested issue. The demand for migrant labour in ethnic cuisine restaurants is a good case in point. Employers

in ethnic cuisine restaurants frequently seek migrant workers who are skilled in the cultural knowledge, including food preparation skills, customs and language used in the workplace (Gordon and Reich 1982; Rodriguez 2004). Many owners of Indian and Chinese restaurants in particular in the UK claim that there is an urgent demand for chefs and other workers from their home countries where they have learned the culinary skills and traditions in an authentic environment, (see, for example, Guild of Bangladesh Restaurateurs 2008 cited in Lucas and Mansfield 2008). Employers often argue that the children of migrants from these countries do not want to work in restaurants and that EEA nationals, including workers from countries that have recently joined the EU, are unsuitable, partly due to their lack of skills but also because kitchen staff frequently communicate in their own language. In practice, studies have shown that restaurants' demand for certain groups of migrants can stem from considerations that go beyond the need for certain 'national skills' and 'cultural knowledge' that domestic workers cannot provide. For example, Matthews and Ruhs' (2007) study of hospitality businesses in Brighton UK suggests that the preference for migrant labour expressed by employers in ethnic cuisine restaurants sometimes reflects a preference for workers whose choice of employment is restricted by their immigration status. While it is the case that formalised skills are not necessarily sufficient as a measure of quality of work and, in this case chefs trained to the same NVQ level may indeed produce meals of a different quality (though the question remains how this is or is not related to cultural capital), immigration status may also facilitate employer control over workers. Nationality may then be a proxy for cultural capital, skills sets and immigration status, all at the same time.

Immigration status

Employers may develop a preference for migrants because of the characteristics and restrictions attached to their immigration status (Bloomekatz 2007; Ruhs and Anderson 2007). In most high income countries, immigration policies are complex and characterised by a multitude of different types of immigration status for different types of migrants. Each status (such as work-permit holder, student, working-holiday maker and dependent) is associated with different rights and restrictions in and beyond the labour market. These restrictions, which cannot be imposed on citizens, may give rise to a specific demand for particular types of migrant workers.

For example, some employers, especially those finding it difficult to *retain* workers in certain jobs, may have a demand for workers whose choice of employment is restricted, as is usually

the case with migrants on temporary work permits. Most of the UK's work permit schemes restrict migrants' employment to the sector and often to the employer specified on the work permit. Where a change of employer is allowed, a new application for a work permit is required by the new employer. This requirement can make it difficult for migrants to change jobs. From the employer's perspective, the employment restrictions associated with particular types of immigration status may make migrants the more 'suitable' and sometimes the only available workers for jobs that offer low wages and poor employment conditions (Anderson 2007a). Employment restrictions may also be considered as the only way of retaining workers in jobs that are located in geographically remote or unattractive areas where the only accommodation available may be that provided by the employer

For example, the UK's National Farmers' Union (NFU) recently argued that migrants from outside the EEA who are employed on temporary Seasonal Agricultural Worker Scheme (SAWS) permits "provide a source of labour *that is guaranteed to remain on the farm* during the crucial harvest period" (National Farmers Union 2007). The information obtained from Scott's (2008) survey confirms that UK farmers view the continuation of SAWS as indispensable for the survival of certain agricultural activities in the UK.

Because of their very limited rights, illegally resident migrants may be perceived as displaying a better 'work ethic' and be willing to accept worse employment conditions than citizens or migrants who are legally employed. In practice, the research evidence on the impact of illegal status on wages and employment conditions is mixed (for a review, see Ruhs 2007). Importantly, to actively 'choose' to illegally employ migrant labour or to employ migrants on particular legal immigration statuses, employers need to know *both* the conditions governing particular immigration statuses and the immigration status of the migrants they employ. Both these assumptions, but particularly the latter, need not always apply in practice.

Bloomekatz (2007) explores how US employers discriminate in the recruitment of labour based on workers' immigration status. She argues that employers prefer to recruit "vulnerable" immigrant workers (defined as those on temporary permits or working illegally) over "US workers" (defined as workers with permanent residence status or US citizenship). According to Bloomekatz (2007:1973),

because of a confluence of legal insecurity and different social institutions, vulnerable immigrant employees are constructed as hard workers, and preferable to lazy US workers who have bad attitudes.

She points out that it is often employers' and workers' *perceptions* of vulnerability, rather than actual legal vulnerability that drive employers' preferences for recruiting 'certain' types of migrant labour.

Recruitment channels: migrant networks and agencies

The advantages of recruiting migrants include obtaining a "self-regulating" and "self-sustaining" labour supply (Rodriguez 2004). This is largely because of migrant networks which employers can use to control and regulate the flow of labour. Saucedo (2006) identifies network hiring as a key element sustaining US employers' preferences for migrants over domestic workers. In the UK, recruitment through migrant networks is thought to be a very common practice among employers with a migrant workforce (see for example, Anderson et al. 2006). Among the sectors reviewed in this project, migrant networks were particularly prominent in hospitality and construction where direct recruitment is often informal and frequently based on word-of-mouth (Chan, Clarke and Dainty 2008; Lucas and Mansfield 2008).

Companies with a demand for a flexible workforce, that is, workers who can be 'hired and fired' at relatively short notice, may make use of employment agencies to help find suitable workers. Since employment agencies often have significant numbers of migrant workers on their books, they can play an important role in impacting on the national composition of the workforce. In food processing, labour providers/gangmasters play a major role in ensuring that employers' seasonal demands are accommodated. Ninety percent of agency workers employed in second stage food processing are migrants (Geddes 2008; Scott 2008). Agencies are also important in the recruitment of nurses and social workers in London, the majority of whom were born abroad (Bach 2008; Moriarty et al. 2008).

Migrant workers for migrant jobs?

In practice, stereotypes based on nationality or migrant status are interlaced with other stereotypes about, for example, gender, race, age, class, and/or ethnicity. Clearly, the prevalence and relative importance of national stereotyping in recruitment of labour will vary

across employers and the job under consideration. Where the job requirements include a well-defined set of technical skills that can be easily assessed, national stereotyping may be less significant. In contrast, where the job requires soft skills and perhaps also offers relatively low wages, national (and other) stereotypes may be more important as a proxy for assessing job applicants' suitability for particular jobs. Stereotypes may be 'positive' or 'negative' or both, requiring employers to make 'trade offs' between perceived advantages and disadvantages of employing different groups. For example, an employer may perceive recently arrived Polish workers as having a superior 'work ethic' but poor English language skills, and reach a decision regarding whether to hire such workers by weighing up the perceived costs and benefits. How and to what extent national stereotyping impacts on the recruitment of workers is an empirical question that cannot be addressed without in-depth research of employers' labour demand and recruitment incentives, and the characteristics of the local and migrant labour supply in particular occupations, sectors and regions of the UK.

Prejudice-based discrimination and stereotyping is unacceptable and illegal in most liberal democracies. However, some employers may regard using nationality as a proxy for assessing individual characteristics as simply a matter of efficiency and profit maximisation, rather than the manifestation of prejudice, (for a review of 'statistical discrimination,' see, for example, Baume and Fossett 2005; Gersen 2007). Moreover, employers in the UK are required to 'discriminate' by nationality in that they must give preferential access to employment to British citizens and to EEA nationals on the grounds of citizenship (the 'community preference rule'). There may not always be an obvious answer to what constitutes 'fair' or 'unfair' discrimination (Waldinger and Lichter 2003) in the recruitment of workers. It seems clear, however, that migration status and country of origin are one way that employers have of differentiating the potential workforce.

"What employers want" is partly influenced by the characteristics and qualities different types of workers are perceived to be able to provide to the employer, hence the notion that labour demand and supply are 'mutually conditioning.' This raises the possibility that employers develop a specific demand and preference for migrant workers (or particular groups of migrant workers) over domestic workers (and/or other migrant groups). In the extreme case, employers could create jobs with requirements that non-migrants will be unable and unwilling to meet (compare Saucedo 2006). This may already be happening in sectors like agriculture and food processing. In his survey of farmers in the UK, Scott (2008) finds that recruiting British workers

is not seen as a viable option anymore as they are considered “part of the problem” rather than the solution.

5 Immigration and alternative responses to perceived staff shortages: A need for migrant labour?

In theory, employers may respond to perceived staff shortages in a number of different ways. These include:

- Increase wages and/or improve working conditions to increase the working hours of the existing workforce and/or attract more local workers who are either inactive, unemployed, or employed in other sectors; if local workers lack the skills necessary to fill a particular vacancy, this option also requires employers to invest in training and up-skilling of the local workforce
- Change the production process to make it less labour intensive by, for example, increasing the capital and/or technology intensity;
- Relocate to countries where labour costs are lower;
- Switch to production (provision) of less labour-intensive commodities and services, and;
- Employ migrant workers.

Of course, not all of these options will be available to all employers at all times. They can depend on the type of employer and on the sector, for example, most construction, health, social care and hospitality work cannot be off-shored. However, employers could have a number of options. An employer’s decision on how to respond to a perceived labour shortage will naturally depend in part on the relative cost of each of the feasible alternatives. If there is ready access to cheap migrant labour, employers may not consider the alternatives to immigration as a way of reducing staff shortages. This may be in the short term interest of employers but perhaps not ‘sensible’ for the overall economy. It is therefore important to explore the feasibility and net impacts of alternative responses which, in practice, are likely to vary across sectors and occupations.

Raising wages and improving employment conditions and relations

Economists point out that there is no such thing as a “need” for migrant workers to help “fill labour and/or skills shortages” and “to do the jobs that locals will not or cannot do” (see, for example, Turner 2007). In a simple textbook model of a competitive labour market, where the demand and supply of labour critically depends on the price of labour, most labour shortages are temporary and eventually eliminated by rising wages. However in practice, labour markets do not always work as the simple textbook model suggests. Whether and how quickly prices clear labour markets can depend on the source of the labour shortages which could include sudden increases in demand and/or inflexible supply because, for example, it takes time to train local workers and/or the welfare state does not make certain types of work ‘pay’ (Chan, Clarke and Dainty 2008). So a key question is how different local labour pools react to increases in relative wages (for a recent review, see, for example Evers et al. 2008). Elasticities of labour supply with respect to wages can differ across different groups of workers, but also across sectors and occupations. For example, a wage increase of ‘x’ percent may be sufficient to significantly increase domestic labour supply in sector ‘y’ but not in sector ‘z,’ perhaps because sector ‘z’ is associated with difficult employment conditions or considered ‘low status.’ In some sectors and occupations it may take significant time for domestic labour supply to respond to increases in wages because, for example, domestic workers lack the required skills and need to be trained. Although most economists agree that rising wages will trigger an increase in domestic labour supply, there is debate about the magnitude of the supply elasticities. Counterfactual scenarios to actual past immigration as a response to perceived staff shortages are difficult to construct. In the UK, a recent report by the ITEM Club (2007) notes that,

we do not know how the domestic labour supply would have reacted to rising growth in 2004-06 in the absence of increased immigration. It might have proved surprisingly [responsive] via increased participation rates in marginal groups.

In addition to raising wages, improving employment conditions, employment relations and job quality may also encourage domestic job seekers to apply for jobs (Devins and Hogarth 2005). In some instances it may be feasible for employers to encourage a shift from part time to full time or temporary to permanent employment or vice versa. Employers may be able to adjust workforce roles, making certain types of jobs more accessible to those who have not participated in long term training, for example, as with the NHS cadet schemes cited by Bach

(2008). Furthermore, as discussed in section 3 the lack of promotion prospects or self development opportunities can serve as a disincentive for some potential job applicants.

Employers in labour-intensive industries are often reluctant to raise wages and improve conditions because of concerns about profitability, and, in the most extreme instances, for fear of being priced out of the market. In the UK, agriculture, food processing, construction, hospitality and social care are currently heavily reliant on low-cost employment. In agriculture and food processing, low wages are partly the result of industrial re-structuring which led to increased cost pressures and the emergence of a significant secondary workforce much of which is seasonal and low-paid (Scott 2008; Geddes 2008). According to Scott (2008) labour costs represent only 5-10 percent of the retail cost of fresh produce, and higher wages and/or improving employment conditions will most likely result in further consolidation and loss of market share of some farmers to cheaper domestic and foreign producers because they are “squeezed” by the large retailers in the supply chain. Sainsbury’s Chief Executive Officer recently warned that supermarkets were not prepared to “prop up” UK farming (see Scott 2008).

Similar pictures emerge in construction and hospitality. Chan, Clarke and Dainty (2008:13) argue that the “low-cost, low-quality employment road trodden by much of the industry” makes it unlikely that employers will consider significant wage increases at present. Lucas and Mansfield (2008: 16) make a similar argument for the hospitality sector arguing that “any change in this [low pay] scenario would necessitate a major paradigm shift in management philosophy.”

Employers of workers providing services for the public sector may find it impossible to raise wages to attract more domestic workers due to the budget constraints and regulatory requirements of the public sector. For example, according to the UK Home Care Association, pay rates in the UK’s social care sector are heavily influenced by what local councils, which make up 80 percent of the purchasers of care services, are willing to pay (UK Home Care Association 2008; reported in House of Lords, 2008: 37). Moriarty et al. 2008 point out that the regulatory requirements for minimum staffing may be a further reason why providers of care services may find it difficult or impossible to increase pay. The implication is that raising wages would require higher taxes or a re-organisation of how social care is provided and regulated.

Training

Where staff shortages are partly or primarily the result of a lack of skills among the domestic workforce, employers (and government) could respond by investing in the training and up-skilling of the domestic workforce. This approach must be combined with a commitment to long term career progression and, potentially, a shift in the labour pools that are used for recruitment. The time training takes will naturally vary across sectors and occupations. There can be a tension between employers and government's incentives to invest in the training of domestic workers on the one hand, and recruiting fully trained and experienced migrant workers on the other hand. As highlighted in the recent House of Lords Report on immigration (2008), there is a danger, at least in theory, that immigration reduces training programmes for and training incentives of local workers. Although plausible in theory and illustrated by anecdotal evidence reported in some of the sectoral review papers prepared for this research project, there appears to be little systematic empirical research on this issue.

In construction, Chan, Clarke and Dainty (2008) identify an acute shortage of training opportunities despite no shortage of people willing to be trained, including women and Black Asian and Minority Ethnic (BAME) workers who are significantly underrepresented in the industry. Apart from the inadequacy of the current systems of training provision including the vocational education and training framework, a key problem lies with employers "many of whom are unable or unwilling to train" partly because of a fear of poaching, the rise of self-employment and the consequent importance attached to on-the-job training and learning by doing. They conclude that "the importance of training as an alternative to migrant labour cannot be overstated" (Chan, Clarke and Dainty 2008:16).

In the health sector, the government made significant investments in the training of British people over the past decade while at the same time using immigration to help fill shortages. As Bach (2008) reports, the growth of the NHS workforce in recent years has exceeded targets by considerable margins. However, at the moment not all UK-trained medical graduates can find employment in the UK. There is concern that the combination of significant increases in training and significant medical immigration in recent years has led to an oversupply of workers, at least in the short term. The government has recently tried to restrict access of International Medical Graduates (IMGs) to training schemes in the UK. A recent examination of the NHS workforce concluded that there has been "a disastrous failure in workforce planning" (Health Committee 2007:3 cited in Bach 2008: 15). In the social care sector, Moriarty et al. (2008) suggest that the

recent increase in the number of UK-trained social workers indicates that it is possible to increase local labour supply through measures that make the job more attractive.

Adoption of new technologies

Where it is technically possible to change the labour-intensity in the production process, employers' choice of technique can be expected to depend on the available factor supplies. Employers who face a relatively abundant supply of labour can be expected, *ceteris paribus*, to adopt more labour-intensive production technologies than employers operating in an environment of relative labour scarcity. Although there is limited systematic empirical research on this issue, there are a few empirical examples which suggest that immigration can have an impact on employers' choice of technique, including the adoption of new production technologies.

Recent research by Lewis (Lewis 2004, 2005) shows that growth in the supply of less-skilled labour has slowed the adoption of automation technology in selected manufacturing plants in the United States. Phil Martin, another US economist, points to the historical experience of the US tomato-processing industry as an example of the potential adverse impacts of immigration on employers' incentives to adopt new technologies. In the early 1960s, more than 80 percent of workers handpicking tomatoes for processing were Mexican migrants employed as *Braceros* (guest workers), and growers argued that the industry could not do without migrants. When the Bracero programme ended, the industry mechanised and eliminated 90 percent of the hand-harvesting jobs in the process. Mechanisation increased productivity and the supply of tomato products, and lowered their prices (Martin et al. 2006).

While the relative abundance of low-skilled labour may slow the adoption of new technology, the availability of skilled labour may have the opposite effect of encouraging the adoption of skill-complementary technology (Durbin 2004). For example, greater use of assistive technology and telecare in the UK's social care sectors would most likely require an increase in skilled IT support (Moriarty et al. 2008). Similarly, the introduction of less labour intensive methods in construction will require an increased supply of skilled labour (Chan, Clarke and Dainty 2008).

The potential and cost effectiveness of introducing new technology or new production processes that are less labour intensive can be difficult to assess in practice, especially when the dominant

industrial strategy has been based on low-cost employment. Chan, Clarke and Dainty (2008) suggest that the UK's construction industry has seen a lot of rhetoric about new technology as part of the solution to the industry's skills needs but there has been little evidence of significant changes to production processes and strategies to date. In agriculture, some fragile crops such as fruit are less amenable to mechanisation than others. Capital intensification may further require significant investment which would favour large producers over smaller ones (Scott 2008). Moriarty et al. (2008) refer to evidence from other countries suggesting that assistive technology can reduce care costs and can be acceptable to older people. It can, however, take a long time to implement new methods of telecare. In occupations that require personal contact with customers, such as front-line occupations in hospitality, the scope for automation is likely to be more limited than in other occupations. Lucas and Mansfield (2008) suggest that most of the advances in the hospitality sector have occurred in the use of on-line marketing techniques and electronic distribution (see O'Conner and Murphy 2004). Jones (2008) suggests that, since employing migrants in the financial service sector in the UK is expensive, employers would have already explored automation and offshoring if these strategies were feasible.

Path dependence in the employment of migrants

The discussion above suggests that there may be 'path dependencies' in the employment of migrants in the sense that once an employer's workforce includes a substantial share of migrants it may be difficult and costly for employers to switch to alternative responses. In other words, immigration targeted to address short term shortages may have had the unintended consequence of creating the conditions (such as relatively low wage, little training of domestic workers, low propensities for employers to adopt new technologies and importantly, low status) that encourage shortages of domestic workers in the long run (House of Lords 2008). This may lead to what Cornelius and others have called a "structural embeddedness" of the demand for migrant workers in the economy (Cornelius 1998). This structural embeddedness is a consequence of the long-standing and mutually constitutive nature of supply and demand. It can also be related to wider labour market developments such as: labour market segmentations, where specific types of workers are matched and become associated with particular types of jobs; economic restructuring (Champlin and Hake 2006; Johnston 2007); and the emergence of "dead-end" jobs and a "low-skills equilibrium" where "a self-reinforcing network of societal and state institutions.... interact to stifle the demand for improvements in skill levels" (Finegold and Sosicke 1988:22; also see Keep and Mayhew 1999; Payne 2000).

6 Conclusion: implications for analysing staff shortages and designing skills based immigration policy

It is widely recognised that defining and identifying shortages in the labour market is a challenging task (see, for example, York Consulting research commissioned by MAC 2008). In a basic economic model shortages are temporary and should eventually be eliminated by rising wages which reduce demand and increase supply. Economic assessments of staff shortages have thus typically involved indicators of changes in wages and employment (see, for example Veneri 1999 for the US; and Human Resources and Social Development Canada 2006). However, this paper has shown – and some economic assessments of staff shortages often agree (see, for example, Veneri 1999) – that, although important as a necessary and fundamental starting point, analyses of aggregate labour market data within a simple economic model are not enough to assess the existence, nature and magnitude of shortages. They need to be complemented by more in-depth analysis and understanding of what could be called the ‘micro-foundations’ of staff shortages. This refers to the micro-level factors affecting employer demand and labour supply in particular labour markets and the ways in which demand and supply interact. The various dimensions of employers’ views and claims of labour and/or skills ‘needs’ need to be scrutinised and considered critically alongside the views of and impacts on other stakeholders in the economy and society (for book-length studies of the potential differences between ‘what employers say’ and ‘what employers do,’ (see, for example, Moss and Tilly 2001; Waldinger and Lichter 2003; Anderson et al. 2006).

This conclusion discusses some of the implications of the concepts and selected ‘bottom-up evidence’ discussed in this paper for the assessment of staff shortages and the design of a skills-based immigration policy in practice. We structure our discussion around the specific MAC tasks of defining and assessing ‘skills and skilled jobs,’ ‘shortages’ and factors to bear in mind when considering whether it is ‘sensible’ to use migrant labour.

6.1 Defining ‘skills’ and ‘skilled’ jobs

The UK's new points based system for managing immigration from outside the EEA is skills-based in the sense that it admits non-EEA *workers* under three separate tiers based on the skills of the migrant and/or the skill requirement of the vacancy in the UK¹⁰:

- Tier 1 is for highly skilled migrants with or without a job offer in the UK. Similar to the points systems for skilled migrant workers in Australia and Canada, admission under Tier 1 is primarily based on the skills and characteristics of the migrant.
- Tier 2 admits migrants with an offer of employment in a “skilled job” (defined as NVQ3 or equivalent) in the UK. Within Tier 2, the MAC recommends a list of “shortage occupations” that are (i) skilled, (ii) in shortage of labour, and (iii) where it is ‘sensible’ to fill vacancies with workers from outside the EEA. Employers with vacancies for occupations on this list will be able to recruit non-EEA workers without having to undergo a resident labour market test and without having to meet the minimum earnings and qualifications criteria applicable to admission under non-shortage routes of Tier 2.¹¹
- Tier 3 regulates the temporary immigration and employment of low-skilled migrants. This tier is currently an ‘empty set’ as the government expects all low-skilled vacancies to be filled by workers from within the enlarged EU.

A ‘skills-based’ immigration policy admits and selects only those migrants who possess and/or who will be employed in occupations that require a minimum level of ‘skills.’ As this paper has shown, defining and assessing skills and/or skill requirements in particular jobs has become an increasingly complex and difficult issue to address for policy-makers. There is a tension between the notion of ‘skills’ as technical, credentialised and formally measurable and the more conceptually equivocal use of the term that has come to characterise not just employers’ expressions of demand for labour, but debates and policies in employment, education and training more generally.

Because of the increasing importance attached to soft skills, experience and, in some occupations, on-the job-training, the limitations of NVQs and other formal qualifications as

¹⁰ There are also additional tiers for students (Tier 4) and youth mobility and temporary workers (Tier 5) defined as “people allowed to work in the United Kingdom for a limited period of time to satisfy primarily non-economic objectives” (see:

www.ukba.homeoffice.gov.uk/managingborders/managingmigration/apointsbasedsystem.

¹¹ For a description of the various routes of entry under Tier 2, see Home Office (2008).

measures of 'skills' are increasingly apparent. There are however clear differences between different occupations. The skill requirements of medical doctors, for example, can be more easily identified and measured than those of social care workers.

The changing nature, vague meaning and differences in perceptions of skills in different sectors and occupations suggest that the design of immigration policy needs to take a flexible approach to defining skills or skill requirements for certain jobs. Such an approach needs to go beyond the use of formal measures such as NVQs and account for some of the changing labour demands and work requirements that are characteristics of a globalising economy with significant and growing service sectors and increasing use of technology.

At the same time, however, it is important to be aware that employers play an important role in defining the competencies and attributes that are 'needed' to do particular jobs. As was shown in this paper, these requirements can be strongly related to wider employment conditions and employment relations. In some occupations, the 'work ethic' and soft skills demanded by employers are partly or largely a reflection of employer preference for a workforce over which they can exercise particular mechanisms of control and/or that is prepared to accept wages and employment conditions that do not attract a sufficient supply of British or other EEA workers.

The implication is that an immigration policy that adopts a more flexible approach in assessing issues related to skills must do so critically. In particular it must be accompanied by enforcement of minimum labour standards. Policy needs to ensure that the workers with the soft skills employers say are 'needed' can be and are employed at conditions that at a minimum comply with minimum wage, health and safety and other labour market regulations.

6.2 Analysing staff shortages

An obvious but important first step in assessing staff shortages and the implications for the employment of migrant workers is the definition of the borders of the 'local' labour market. It is widely accepted that 'local' workers should be given preferential access to jobs in the national labour market. In other words, as far as policy is concerned, employer demand for migrant labour should be a *residual* demand. Whether or not there is a shortage of 'local' labour naturally depends in part on how the pool of local workers is defined. In the UK and other EEA countries, the pool of local workers includes all EEA nationals (i.e. it includes certain foreign nationals). From a UK policy point of view, non-EEA immigration as a response to staff

shortages can only be justified if there is a shortage of EEA workers (and not just of British workers).

The supply of labour is highly segmented in terms of gender, race, ethnicity, class, nationality and immigration status. Taking a disaggregated view of the labour supply is therefore not sufficient, while at the same time it is important to consider the role of employers' recruitment procedures in contributing to labour market mismatch and in selecting in or out certain groups. As this paper has shown, some employers in some sectors use nationality as a criterion for selecting workers. This may lead to the development of a preference for recruiting certain nationalities of migrant workers (including non-EEA workers) over available British and/or other EEA workers. The acceptability of this preference from a policy point of view critically depends on the underlying reasons. As discussed in section 4, these could be based on differences in expectations about wages and employment conditions, immigration status, perceived and actual skills and competencies, ease of recruitment and retention etc. From the policy point of view, some of these reasons (for example, the requirement of very specific skills that cannot be provided by local workers in the short term) may be more acceptable reasons than others (such as a greater willingness to work for low wages and under poor employment conditions). Analysis of the micro-foundations of alleged domestic staff shortages can shed light on the factors underlying particular employer preferences in particular sectors and occupations. There is significant variation in employer preferences and labour demands across different sectors, occupations and types of employers. As it is the case with assessing employers' skill requirements, awareness of minimum wages and other standards in the labour market will be key to assessing how immigration policy should respond to employer demand for specific groups of migrant workers.

Responding to staff shortages: incentives and system effects

The sectoral review papers suggest that many employers could, in principle, pursue a number of responses to staff shortages including, for example, raising wages and improving employment conditions, more investment in training of local workers, and adoption of labour-saving production processes and technology. The reasons employers do not currently pursue these alternatives are multiple. They include the availability and characteristics of the migrant labour supply which impacts on labour demand by affecting labour costs as well as job

structures and designs and, consequently, the attributes and characteristics that employers require to do certain jobs and occupations.

However, the sectoral review papers also suggest that there are important 'system effects' some of which are outside the control of individual employers. These effects can discourage and/or make it difficult for employers to pursue alternative responses to staff shortages other than recruiting migrants. System effects stem from the institutional structure and regulatory framework of the British labour market (characterised by *inter alia* deregulation and flexibilisation, and the decline of trade union membership), as well as from wider economic developments and public policies (for example, long term restructuring in certain sectors, the provision or lack of public training programmes, the operation and incentives created by the benefits system and the need for effective provision of public services given budget constraints). These system effects can constrain and impact on the incentives underlying employers' choices about how to respond to perceived staff shortages (as well as impacting on the behaviour of workers).

For example, in the UK's construction sector, immigration appears to have reduced employers' incentives to invest in training and labour-saving technology, at least in the short run (see the discussion in Chan, Clarke and Dainty 2008: 33). However, private construction employers' incentives to train are also critically influenced by the wider labour market and economic environment. A high proportion of construction workers are self employed under a special arrangement for the purposes of taxation, even though, in terms of the practicalities of their working lives, they are effectively employed. This has had a significant impact on private employers' incentives to train and to offer training placements, so, it is not simply the availability of migrants that has reduced training in the sector, but rather the structuring of the sector itself (Chan, Clarke and Dainty 2008).

To give another example, among the sectors reviewed in this project, low wages are clearly an important factor explaining staff shortages in certain occupations, particularly in social care, agriculture, food processing and construction. However, raising wages in the social care sector for example is constrained by the fact that the main client is the public sector where there are limited budgets and strict regulatory requirements about minimum staffing. Moreover sectoral inter-dependencies mean changes in one sector may also affect other sectors in unanticipated and unintended ways. For example, leaving vacancies unfilled in the social care sector is likely

to have knock-on effects for the health sector (Moriarty et al. 2008). More generally, encouraging employers to access an 'inactive' female labour pool may have a knock on effect on demand for paid social care. Thus system effects interact with other constraints on workers' and employers' options including, not just the cost of care but also the price of housing, the workings of the benefit system, the gendered nature of labour markets and the status of jobs. Interactions may therefore produce unintended consequences.

The existence and impacts of system effects, the mutually conditioning relation between labour supply and demand, and the social as well as economic nature of labour markets suggest that expecting employers to pursue alternatives to immigration without taking into account some of the wider economic and policy contexts may not work. For changes in employment and recruitment patterns to be sustainable and to genuinely work in the interests of workers, employers and consumers/clients, changes in immigration and other labour supply side policies are unlikely to be sufficient. Within the current wider economic structure and system, an incremental approach that encourages employers to pursue alternatives to immigration may be more successful than a "big-bang" approach that suddenly and significantly reduces access to migrants, especially in sectors that currently make very heavy use of migrant labour.

6.3 '*Sensible*' immigration policy: interests and industrial policy

One of the most challenging issues for MAC is to decide whether or not it is 'sensible' to fill staff shortages with migrant workers from outside the EEA. Discussion of this issue must clearly begin with an empirical analysis of the feasibility and net benefits (that is, benefits minus costs) of the various alternative responses to staff shortages for individual employers. However, the decisions on what is sensible must clearly go beyond employers' interests and also consider the costs and benefits to other groups (such as domestic workers) as well as to the wider economy and society of the receiving country as well as to migrants and their countries of origin. In this sense, some of the questions facing immigration policy are similar to those arising in industrial policy.

Chang (1994: 60) defines industrial policy as "a policy aimed at particular industries (and firms as their components) to achieve the outcomes that are perceived by the state to be efficient for the economy as a whole." He further points out that "in an industrial policy-regime, whenever

the efficiency objective of an individual industry and that of the whole economy clash with each other, the latter is permitted to dominate” (Chang 1994: 61). By granting industries differential access to non-EEA workers, immigration policy effectively works as industrial policy. By implication, selective immigration policy must engage with industrial policy questions including how to identify the sectors that should be supported and subsidised by immigration and those that should not.

This is a large policy question that goes beyond the issues that are usually considered in the context of immigration policy – but they have to be taken into account. So for example, farmers might respond to restrictions on immigration by switching from fruit and vegetable producing to wheat, which is more susceptible to technological innovation. The question then becomes, as one of Scott’s respondent’s put it, “Does the UK government want a fresh fruit and vegetable industry in this country?” (Scott 2008: 59).

In the end, there is no one right answer to the question whether it is sensible to employ migrant workers in response to perceived staff shortages. The decision about how to weigh up different interests is an inherently normative one that cannot be answered by economic considerations alone.

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