

STAFF SHORTAGES AND IMMIGRATION IN THE FINANCIAL SERVICES SECTOR

ANDREW JONES, Birkbeck College

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Project overview

“A set of review papers on the micro-level determinants of employer demand for migrant labour and the alternatives to immigration for responding to labour shortages in key sectors of the UK economy.”

This paper is part of a research project commissioned by the Migration Advisory Committee (MAC), a body of independent economists set up by the UK Government in late 2007. The MAC has been 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).¹ 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. 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 research project 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 has been to mobilise existing information and research rather than to generate new data. To this end, academic experts provided an analytical research perspective on staff shortages and immigration in seven sectors of the UK economy: agriculture, food processing, financial services, construction, hospitality, health care and social care. Although taking a sectoral approach, the seven “sectoral review 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. A separate paper discusses key concepts, selected empirical findings from the sector papers, and the implications for a skills-based immigration policy.

All papers in this research project were coordinated by Bridget Anderson and Martin Ruhs, with the assistance of Rutvica Andrijasevic and Karin Heissler (all at Centre on Migration, Policy and

¹ The EEA includes the EU 27 plus Iceland, Liechtenstein and Norway.

Society (COMPAS) at the University of Oxford). The full list of papers produced for this research project is:

Concepts and overview:

Anderson, B. and M. Ruhs (2008) "A need for migrant labour? The micro-level determinants of staff shortages and implications for a skills-based immigration policy", A report prepared for the Migration Advisory Committee, Migration Advisory Committee (MAC), London

Sectoral review papers:

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

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

All papers can be downloaded at the MAC's website: www.bia.homeoffice.gov.uk/mac

Executive Summary

1. Overview of the Financial Services Sector and its labour markets

The financial services sector is one of the leading sectors in the UK economy in terms of both employment and output. In 2005, the sector employed 1.1 million people and produced net exports valued at £19 billion. It is the single largest contributor sector to the balance of payments and the fastest growing sector of the economy. The term 'financial services sector,' however, covers a large number of different industries and activities, and an explanation of what it comprises is necessary.

Financial services can be broadly divided into a number of industry 'sub-sectors' which themselves are composed of different specific financial service industries: Credit and Finance; Insurance and Risk; Financial Advice; Banks and Building Societies; Business to Business Services, and; Business Support. This paper focuses on industries in the first four sub-sectors along with a key distinction that exists across many of these sub-sectors between different producer (business) and consumer financial services. The labour market for this sector has a number of distinct segments corresponding to three occupation 'orders'. Each of these labour market segments (high, mid and low order) broadly corresponds to different skill levels among the workforce.

2. Employer Demand: What are employers looking for?

Employer demand in financial services can be broadly distinguished between high, mid and low order occupations. 'High order' occupations in financial services represent 'elite' occupations and are highly-skilled and heavily concentrated in the UK in the City of London. Employers seek specialist expertise gained through elite postgraduate and vocational qualifications and previous work experience. Elite formal qualifications are a prerequisite; however, they are not on their own sufficient basis for gaining a position. For high order financial service occupations, employers also place great importance on a range of 'soft' skills and personal characteristics.

Demand for mid-order occupations comes largely from employers in consumer or retail financial services. These are skilled or highly skilled occupations and they often require a postgraduate

professional or vocational qualification (for example, accountants, financial advisors, and mortgage brokers fit into this category). While they are not as specialised or skilled as high order occupations, interpersonal skills, communication and 'soft' skills are again extremely important in many mid-order occupations.

Low order occupations have greater diversity in the nature of the skills required by employers although many involve routinised work (for example, call centre work) that do not require degree-level qualifications. Key occupations include retail bank, account, pensions or insurance clerks which are semi-skilled insofar as a good secondary school education is required. Employers broadly seek good basic skills around language, numeracy, communication and organisation. There are no specific vocational qualifications for many of these occupations.

3. Labour Supply: Who wants to do what?

For high order financial service occupations, the pool of 'British' workers within the UK is very limited. In terms of non-British workers, there exists a global pool of labour which is concentrated in a limited number of key financial centres in Europe, North America and Asia. Many of these occupations therefore recruit from an (increasingly) global labour market with little difference between national labour markets in terms of the characteristics of this specialised labour pool.

Regarding mid-order financial service occupations, the review suggests that there is a good supply of graduate labour within the UK and there is a potential pool of non-British workers in the European Economic Area (EEA) who could be recruited if shortages in the labour supply emerged. However, this latter group is likely to be less attractive to employers because of the key need for English language fluency in these occupations in the UK context. For low order financial service jobs, given the relatively lower skill requirements, there exists a substantial pool of potential workers, and an available pool of labour exists in the economy as a whole which could conceivably fill shortages at the national level.

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

For high order financial service occupations, there exists in the UK a demand for highly skilled migrants in financial services which reflects both national labour market scarcity and the emergence of a global labour market for such occupations over recent decades. Research suggests that a growing proportion of the workforce in high order jobs is filled by migrants (10-15 percent in some occupations), although the evidence suggests that only a very small percentage are not from the EEA. This 'cosmopolitanisation' of the workforce is consistent with sub-sector globalisation and London's role as a leading global city.

At graduate-entry level, employers expend considerable time and money recruiting from elite educational institutions in the UK and Europe. More experienced employees are recruited from a global pool of labour concentrated in a few leading financial centres. Employers make extensive use of international recruitment firms in order to fill these specialised vacancies. There is strong evidence that international mobility is an explicitly desirable characteristic of employee experience in many of these occupations, and that there are complex patterns of short-term migration as a consequence of international secondment practices within transnational financial service firms.

In the mid-order occupations, there is little evidence of significant employment of migrant labour. The limited research suggests employers recruit in national labour markets and that many occupations have barriers to entry for migrants around linguistic, cultural and 'soft' skills. In the low order occupations, the review found no evidence of any specific use of or demand for migrant labour. Again many of the customer-oriented occupations in this segment of the labour market present significant barriers to entry to migrants around cultural and linguistic criteria.

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

The review supports the view that there is no real alternative to immigration in responding to shortages of highly skilled workers in high order financial services sector occupations. The UK alone cannot provide sufficient highly skilled workers for many increasingly specialised

occupations, and the socially-interactive nature of these jobs means technology will not provide any substitute for migrant labour.

With regard to the mid-order occupations, research suggests that immigration is a less attractive means of tackling the problem for employers. For many occupations, migrants are expensive to train and lack sufficient 'soft' skills. The evidence suggests that the UK produces enough graduates to fill labour shortages at least in part, and there is significant scope for up-skilling British workers to fill jobs in this segment of the labour market.

For the low order occupations, the review suggests there is little use of migrant labour in most of the occupations and an adequate labour supply within the UK economy (although there may be regional shortages, notably in the South East). Up-skilling in the event of labour shortages presents an alternative response to immigration.

6. Conclusion: implications for analyzing staff shortages in the sector

The chapter draws four key conclusions in relation to how and whether immigration policy should respond to employer demand for non-EEA workers. First, the labour market for highly skilled high order financial service workers is competitive and globalised, and there is a very limited supply of these workers within the UK labour market. It is therefore strongly desirable in terms of the competitiveness of the UK as a location for these financial service activities that immigration policy allow firms to recruit non-EEA workers as they see fit. Second, there is no evidence that current UK immigration policies act as a significant constraint on the ability of firms to fill high order financial services sector jobs with highly skilled migrants, although future or adapted UK immigration policy might consider further streamlining and facilitating the process by which high order occupations in financial services can be filled by non-EEA migrants.

Third, in mid-order financial services sector occupations there is no existing research to indicate significant employment of migrant workers and little evidence to support future employer demand. Fourth, for low order financial service occupations while there is no research evidence to suggest significant employment of non-EEA migrant workers at present, labour shortages in several occupations could be relatively easily filled with migrant workers. However, several

alternatives to immigration such as up-skilling British workers or regional migration of labour within the UK do exist.

1. Overview of the Financial Services sector and its labour markets

The financial services sector is one of the leading sectors in the UK economy in terms of both employment and output (Centre for Economic and Business Research and City of London 2007; Office for National Statistics 2008). In 2005, the sector employed 1.1 million people and produced net exports valued at £19 billion. Financial services are the single largest contributor sector to the balance of payments (UK Trade and Invest 2008). Furthermore, between 1996 and 2006, the UK financial services sector was the fastest growing sector of the economy (Office for National Statistics 2008). In output terms, the sector grew 74.5 percent over the decade, compared with 43 percent growth for the service sector as a whole for the same period (Office for National Statistics 2008). Within this growth, there are distinct patterns between industries and occupations. In general, banking and related activities have seen substantial employment growth, with brokering and fund management increasing by 35,000 jobs between 2000 and 2006, and banking increasing by 6500 jobs over this same period. In contrast, employment in insurance and pensions declined by 19 percent over the same period (Financial Services Skills Council 2006a). The financial services sector is currently one of the most important to the UK economy, however, it is also complicated to analyse. This is because the term 'financial services sector' covers a large number of different industries and activities in the UK economy, and the concept has no clear or consistent definition across different users. For the purpose of this paper, to assess the need for migrant labour and immigration in relation to financial services, it is therefore important to establish a definition and to clarify what industries and occupations will be examined in the review.

Four major definitional and measurement issues and challenges arise. First, financial services can be broadly divided into a number of industry 'sub-sectors' which themselves are composed of different specific financial service industries. The following six sub-sectors have been proposed by the Financial Services Skills Council (Financial Services Skills Council 2006a) on the basis of the labour market in this sector:

- Credit and Finance
- Insurance and Risk
- Financial Advice
- Banks and Building Societies
- Business to Business Services
- Business Support

Second, and related, this six-fold typology of sub-sectors in financial services is not universally used in the academic literature. For example, academics often treat financial services and business services as separate categories (Wood 2002; Grosse 2004). When the six sub-sectors are considered together, the term more usually referred to within the academic literature is 'Financial and Business Services' (FBS) (Bryson, Daniels et al. 2004).

For the purposes of this paper, the focus will be on industries in the following four sub-sectors (and outlined above): Credit and Finance, Insurance and Risk, Financial Advice, and Banks and Building Societies. Concerning the latter two categories (Financial Advice and Banks and Building Societies), the paper will, however, adopt a more narrow focus and consider only industries and activities that are considered 'purer' financial services. To illustrate, the review will include an assessment of migratory labour demands in accountancy and tax consultancy, but not management or strategy consultancy. It should also be noted that while many of the factors that influence demand for migrant labour in financial services are applicable to the business service sector as a whole, this paper will not address 'business services' in their entirety.

Third, it is important to understand that a key distinction exists across many of these sub-sectors between 'producer' (or business-related) and 'consumer' (or retail) financial services. Producer financial services correspond to services provided by firms to other firms in the UK economy and abroad (Lewis 1999; Sassen 2001). These services are only offered to other firms, not to individuals. Included in this category are investment banking, equity trading, fund management and corporate audit. In contrast, consumer financial services are those offered to individual or small groups of consumers. Consumer financial services include services such as retail (high street) banking, financial advice, credit cards, personal loans and all forms of personal insurance.

Although there is a distinction between producer and consumer financial services, it should be recognised that at both the industry and occupation level, a degree of classificatory overlap exists between the two. For example, insurance and accountancy services are provided to both firms and individuals. In general, however, the distinction is important in assessing the wealth generation and labour market characteristics of different financial services sector activities.

Finally, in relation to the overall objectives of this review, the issue of data sources needs to be addressed. In contrast to many other economic sectors, academic research has paid little attention to the issue of migrant labour in financial services. The analysis and findings in this paper are therefore drawn from the limited data that exist. Moreover, of the data that exist, most is qualitative and not quantitative. Existing research and datasets do not allow quantitative measurement of the demand for migrant labour within financial service sub-sectors and, at present, relevant data are not collected for many of these labour markets. For the above-mentioned limitations outlined above, general rather than specific conclusions may be drawn about the demand for migrant labour in financial service occupations. Consequently, the more specific arguments made about different segments of the financial services sector labour market must be treated as cautious propositions rather than as definitive findings.

1.1 The Financial Services Sector Labour Market

With regard to the key features of the labour market in financial services, four major features of the workforce are important. First, as with other service sector activities, occupations in financial services involve social contact and interaction with customers and clients (Thrift 1994; 1997). The labour process is therefore principally concerned with social interaction in a variety of forms, and labour costs represent a very high proportion of total costs for financial service firms (Faulconbridge, Hall et al. 2007). Business activity is intrinsically a social process, and this sector has very limited scope for substituting labour with new forms of technology or automation.

Second, compared to other sectors (for example, manufacturing and construction), the financial service sector is skewed towards skilled and highly skilled workers (Financial Services Skills Council 2006b). The majority of occupations in financial services require a graduate level degree, and a high proportion of very skilled jobs require postgraduate qualifications (Financial Services Skills Council 2006b). In terms of labour market segmentation, the key distinction is, as explored above, between 'producer' and 'consumer' financial services. Higher skill and better paid occupations dominate producer or business financial services with the greater proportion of mid- or lower skill/wage occupations associated with consumer financial services (for example, retail finance, call-centres and data processing).

Third, in comparison to other sectors in the UK economy, wage levels are high overall (Financial Services Skills Council 2006a). There exists a tier of lower wage semi-skilled employment in the financial services sector. This is linked primarily to data processing and routinised customer services (for example, call-centres), however, the average wage level is higher than the national average, reflecting the predominantly skilled and highly-skilled composition of the workforce (Lewis 1999; Grosse 2004).

Fourth, and related, there are a number of distinct segments to the labour market. While the gender balance in these sectors varies between occupations and industries, in the lowest skill segment the routinised jobs in data processing and call centres in the UK are characterised by a feminised labour market with predominantly a younger workforce (under 35 years old) (Belt, Richardson et al. 2002; Higgs 2004). There has been little research undertaken on the use of migrant labour in these industries, but it is worth noting that the interactive nature of call-centre work favours UK nationals in terms of the ability of workers to relate to customers in linguistic and cultural terms (Knights and McCabe 2003).

The 'middle segment' of the labour market, characterised by retail banking and credit services, is also characterised by feminisation and, since the 1990s, has become increasingly dominated by a younger workforce (under 35 years-old) (Halford, Savage et al. 1997; Leyshon and Pollard 2000). Academic research has not engaged specifically with the question of migrant labour in these industries, but research indicates that the characteristics of the labour process in retail banking and similar activities have not, to date, led to significant recruitment of migrant workers (Alexander and Pollard 2000).

The top segment of highest skill and highest paid occupations in the financial service sector labour market is also dominated by a younger workforce (under 40) (Jones 2003), and is almost exclusively composed of graduates. A high proportion of those employed have a postgraduate degree or other postgraduate professional qualifications (Sassen 2001; Financial Services Skills Council 2006a). Academic research suggests that this segment of the financial service workforce is male-dominated, although the degree has diminished to some extent over the last 20 years (McDowell 1997; Jones 1998). There are few temporary or part-time workers in this sector, and there exists a very low degree of unionisation. There is also evidence to suggest under-representation of Black/Minority Ethnic (BME) workers (Jones 2003).

Research suggests that there is considerable use of highly skilled migrant workers in this segment of the labour market. UK banking and finance, for example, operates in a global labour market for a large number of highly skilled occupations (Beaverstock and Smith 1996; Beaverstock 2002), recruiting workers from the European Union (EU), United States, Asia and the Far East. There is also some evidence to suggest that over the last decade a growing proportion of highly skilled workers in banking and finance are migrant workers, and that an increasingly global labour market operates among many occupations in the top segment of the financial services labour market (Beaverstock and Smith 1996; Beaverstock 2002).

1.2 Recent Developments and Regional Variations

A large body of data and research identifies a distinct geography to the financial services labour market in the UK. First, the highly skilled and highest paid occupations in financial services are heavily concentrated in London and the South East, with secondary concentration in leading regional cities (for example, Manchester, Leeds, Edinburgh and Bristol) (Bryson and Daniels 2000). A significant number of the highest skill/wage occupations are only found in central London and are associated with highly specialised financial services being provided to a global market (Sassen 2001; Castells 2002).

Second, the lowest skilled and paid financial services jobs are located in peripheral regions and cities in the UK. For example, call centre and data processing employment is concentrated in 'core cities' and regional cities (for example, Nottingham, Newcastle, Belfast and Liverpool) and the decentralised 'outer South East' (Reading, Basingstoke and Harlow, for example) (Wood 2006).

Third, while relatively fewer financial services sector jobs exist in rural or peripheral regions of the UK, the size of the sector as a whole means that even small urban centres have a significant and growing number of jobs in this sector. In these centres, the jobs are not the highest in terms of skills or wages but they are still characterised by predominantly graduate level employment. For example, small market towns have experienced a substantial growth in financial services sector employment in the last decade (Countryside Agency 2004). The occupational composition of this growth is complex, with a mixture of lower and middle tier jobs.

1.3 Labour Market Research Questions and Policy Issues

Regarding research and policy in relation to the financial service sector labour market, three themes are evident from the literature:

- (i) the UK economy's need for highly skilled migratory labour in 'high order' financial services;
- (ii) the vulnerability of lowest skill financial services employment to off-shoring;
- (iii) the uneven geography of high and low order financial service sector employment.

Concerning the need for highly skilled migratory labour, a large body of social science research in economics, management and business studies, geography and sociology has established the continuing development of a global labour market for highly skilled migrant workers in higher order financial services (Sassen 2001; Sklair 2001; Jones 2003). This demand for migratory labour in the UK is concentrated in London (Salt and Millar 2006), although there is evidence of demand for migratory workers in key regional cities where some higher order financial service activity occurs, for example, in Leeds, Manchester, Edinburgh and Bristol (Salt and Millar 2006).

The development of this global labour market for highly skilled workers in financial services is complex, and current research does not provide a full explanation of the differential need for such labour in high order financial service activities. However, it is clear that the 'top end' UK-based firms compete for highly skilled workers in a competitive international labour market that operates at a global level.

A second issue which dominates academic discussions of labour markets in the financial services sector is the vulnerability of the lower skill, lower paid occupations to the economic transformations associated with globalisation. In particular, considerable attention has been paid to the process of 'off-shoring' where back office, call-centre and data-processing jobs in financial services are being lost in the UK as firms relocate activities to cheaper wage locations in South Asia, notably India. Such a process is relevant to the concerns of this paper insofar as research is yet to establish whether this process is likely to create a surplus pool of lower skill labour in financial services in the UK (James and Vira 2008).

The current major policy issues that exist in relation to the UK financial services sector labour market that follow from these research questions can be summarised around the following three areas:

- the need for 'high order' financial services to attract highly skilled migrant workers in a competitive global labour market;
- the need to mitigate the impact of and/ or prevent off-shoring among lower skill financial service occupations; and
- the potential for over-dependence of the UK labour market on financial services sector (and related) employment.

1.4 Occupations in Financial Services

Following from the earlier discussion of the different segments to the labour market in financial services, it is useful to distinguish between 'high', 'mid' and 'low' order occupations in the sector. The criteria by which these three occupational orders can be distinguished are based around the three dimensions of the work: which sub-sector, the corporate function, and skills and knowledge required. These are overlapping because occupations in each of the three 'orders' share similar attributes in each of these dimensions. The concept of an 'order' aims to provide some measure of the value placed on employees by employers. Occupational order is therefore, to a large extent, reflected in salary levels and educational or experience prerequisites for employment in a given occupation. However, these orders neither map directly onto any one sub-sector nor fit the Standard Occupation Codes (SOCs) which conflate quite diverse occupations ranging from high, mid- to low.

'High order' financial services occupations correspond to the most highly skilled and highly paid occupations. They are concentrated in high value added sub-sector industries which serve a global rather than a national market. Key sub-sectors include investment banking, accountancy, private equity, insurance and corporate finance. A significant proportion of these occupations are dominated by those with 'elite' educational backgrounds and postgraduate qualifications (for example, Master's degrees, MBAs, PhDs and doctorates) and they fulfil 'high value adding' functions within firms.

Major high order occupations in financial services include:

- Investment Banker
- Financial Manager (1131 / 1151)²
- Broker (3532)
- Trader
- Corporate Financier
- Equity and Investment Analyst (3534)
- Fund Manager
- Financial Engineer
- Finance Officer / Management Accountant (2422)
- Risk Manager

'Mid-order' occupations in financial services include a variety of skilled occupations in a range of sub-sector industries within financial services. However, on average these occupations are less highly skilled and create less value than 'high order' occupations. They are more prevalent in industries serving a national, regional or local market in the UK economy. They do not command as high salaries as the highest order financial service occupations.

Major mid-order occupations in financial services include:

- Bank Manager
- Mortgage Broker
- Financial Advisor
- Chartered and Certified Accountants (2421)
- Insurance underwriter / broker (3533)
- Taxation expert (3535)
- Credit controller (4121)
- IT professional (2131/ 3131)

² The corresponding SOC codes are included in parentheses, where appropriate. However, it should be noted that the SOC classifications do not adequately capture the specificity of many of the occupations listed.

In line with the distinctions identified above, the majority of those employed in mid-order financial services occupations are employed in consumer (retail or related) rather than producer (business service) financial services.

Finally, in the financial service sector the main 'lower order' occupations include:

- Bank Clerk (4123)
- Account / Filing Clerk (4131)
- Pension and Insurance Clerk (4132)
- Finance and Accounting Technician (3537)
- Call Centre Agents (7211)
- Customer Care (7212)
- Database Assistants / Clerks (4136)
- Computer Engineer (5245)
- Elementary Office Occupations (9219)

These occupations often involve more routinised work (Leidner 1993), add less value through the work process than do those mid- or high order occupations. However, such occupations exist across all sub-sectors within the financial services sector.

Also related and worth noting, the financial service sector also employs a large number of staff in related support services. It is difficult to demarcate the boundary of the sector in this sense because in some firms and sub-sectors, related support service employment may be within financial services firms and in others it may be sub-contracted out to specialist non-financial service firms. For example, in retail banking, some firms may provide software and information technology (IT) support from an 'in-house' division within the firm while others may instead sub-contract this support dimension of their business to a specialist firm.

1.5 The Need for Migrant Labour

Assessing the need for migrant labour across the financial services sector as a whole is a difficult task which has received relatively little direct attention from academic researchers. There is a substantial literature that examines the nature of working practices (McDowell 1997; Leyshon and Pollard 2000), the globalisation of the sector (Lewis 1999; Jones 2003), its central role in UK economic development (Wood 2002; 2006) and, to a lesser extent, the development of a global labour market for highly skilled financial services sector occupations (Beverstock 2002; Taylor, Beverstock et al. 2003). However, literature review identified no work that has sought to accurately quantify the demand for migrant labour in financial services. Most of the research that is relevant to understanding the need for migrant labour in this sector does so by inference rather than by explicitly engaging with the issue.

From the existing research, the overall picture one gets of demand for migrant labour in financial services appears divided among the different labour market segments, and this broadly correspond to the three 'orders' that characterise occupations in the sector. This labour market approach is more useful than either a firm or sub-sector based analysis. This is because the various 'orders' of occupations in all three segments of the labour market transcend firm and sub-sector boundaries, while in terms of the qualifications and skills required of workers, occupations within different labour market segments are often comparable. It therefore makes sense to adopt this skills-based typology of the labour market in any analysis of the need for migrant labour.

With respect to the segment of the labour market providing workers in the high order occupations, the evidence clearly indicates that highly skilled migrant workers play a crucial and increasingly significant part in the UK workforce (Taylor, Beverstock et al. 2003; Organization for Economic Cooperation and Development 2007). The high order occupations identified above require an elite education background (McDowell 1997; Hall 2006) and a range of skills that are in short supply in the UK and other national labour markets (Hall 2008). A substantial body of academic research confirms that employers compete in a global labour market for workers in these occupations, and that a growing proportion of workers in these occupations in the UK, as in other advanced industrial economies, are migrants (Jones 2003).

The evidence for mid-order financial service occupations is less clear-cut. There is no identifiable research that has investigated the demand for migrant labour in consumer financial services industries in the UK. There is no evidence to suggest that migratory labour plays a significant role in the occupations identified. While there is some quantitative evidence of a small fraction of migrant employment in these occupations, this appears to be at most equivalent or more likely less than in other similar skilled occupations. A key reason for this is likely to be the 'socially-interactive' dimension to many mid- and lower tier financial service occupations. Many occupations in retail financial services involve dealing with customers, either face-to-face or over the telephone (Leyshon and Pollard 2000), and this is likely to present a number of potential barriers to migrant workers as a consequence. For example, issues around language and cultural understanding have been emphasised as crucial in the way in which retail banking and other retail financial services have developed their customer experiences. Migrant workers who are not highly fluent in English, and who are not very familiar with UK culture and values, are much less likely to fit the characteristics desired by employers. A number of middle segment financial services occupations also have a qualification-based barrier that is also a barrier to migrant labour (for example, UK accountancy qualifications).

Finally, evidence on low order financial service occupations is also limited. No research that directly engages with the issue has been identified, although the lower skill level required by employers does mean that some of the barriers to entry that migrant workers experience in the mid-order occupations are possibly less significant for some of these occupations. However, research into customer-oriented occupations such as call centre agents and office clerks does suggest very limited migrant labour participation which might be associated with the 'soft skills' and linguistic/cultural background issues identified above. Research into UK-based call centres, for example, has highlighted the desirability of regional accents and UK cultural familiarity among firms recruiting call-centre agents (James and Vira 2008). Such attributes suggest significant barriers to entry for many migrant workers in these occupations.

The remainder of this chapter explores this overall assessment of the role of migrant workers in financial services in greater depth. The first issue to be examined is an assessment of the characteristics and dimensions to employer demand for migrant labour in each segment of the sector's labour market.

2. Characteristics, dimensions and determinants of employer demand

In order to understand the characteristics of employer demand for migrant labour in financial services as a whole, it is necessary to discuss each of the different 'orders' of financial service activity in the UK separately. This is because, to a considerable extent, the nature of high order financial service occupations and their associated labour markets are very different to the mid- and low order occupations.

2.1 High Order Financial Service Occupations

Across several social science disciplines, there exists research that examines the characteristics and dimension of high order occupations in financial services. These 'elite' occupations can be broadly grouped around the highly skilled jobs that are heavily concentrated in the UK in the City of London (Taylor, Beaverstock et al. 2003). At least three major features are of significance in understanding employer demand.

First, the skills and attributes required by employers for high order financial service sector occupations relate to specialist expertise gained through elite postgraduate and vocational qualifications and previous work experience. Such characteristics include, for example:

- specialist knowledge of financial markets;
- experience in key foreign financial centres (for example, New York, Frankfurt, Hong Kong, Tokyo, and Singapore);
- elite postgraduate qualifications (for example, a US-based MBA programme, a PhD or a doctorate); and
- managerial experience in a different financial jurisdiction.

Typically, high order occupations (for example, as an investment banker, equity analyst, or fund manager) require a good first degree as an absolute minimum. In the UK labour market, many firms recruit graduates exclusively through a 'milk round' at top universities (for example, in Oxford, Cambridge, Bristol, Durham, Edinburgh and London) (Jones 1998; Financial Services Skills Council 2006b).

Second, elite formal qualifications are a prerequisite but are not on their own sufficient for gaining a position. For high order financial service occupations, employers also place great importance on a range of 'soft skills' and personal characteristics. These are generally acquired from a mixture of (elite) educational background and also career experience (Thrift 2000). Employers in these occupations generally seek high educational achievers who are also competent in a range of crucial soft and 'performative' skills (Thrift 2000). Research with recruiters in these occupations has identified a number of skills criteria: team work; interpersonal and communication skills; organisational and time management skills, and; leadership ability.

The social science literature on 'work' has pointed to the gendered nature of many of these 'soft' skill criteria, arguing that the continued dominance of men in many of the highest paid and most senior financial service jobs reflect 'masculine' criteria around which desirable skills are defined and 'performed' in the workplace (McDowell 1997; Jones 1998). There is also a high degree of employee turnover between firms and across sub-sectors in this segment of the financial services labour market (Lewis 1999)³ and, as a consequence, firms must invest considerable resources in recruiting staff at all levels and career stages. This high turnover reflects the competitive nature of the labour market in 'boom' periods, the strong emphasis on personal performance and established career progression pathways for many highly skilled occupations where experience in different firms, roles and countries is an advantage for individuals (Lewis 1999; Jones 2003).

Third, for these high order financial service occupations, 'training' builds on the elite educational background and includes a range of socialising and acculturating experiences in workplace culture (Jones 2003). Graduate requirements aside, the 'skills' required by employers largely centre around less tangible 'soft skills', and personal characteristics (for example, skills in socialising) (Thrift 2000). The 'quality' of work in these high order occupations is thus heavily determined by interpersonal skills and personal characteristics because of the heavily 'social' nature of the work process in high order financial service occupations. These are the primary factors influencing employer preferences in recruitment at all career stages, and they provide an explanation for the extensive use of specialist recruitment agencies to find employees who 'fit' a wide ranging set of educational and personal criteria (Beaverstock, Hall et al. 2006).

³ Employee turnover in highly skilled 'City' occupations such as investment banking can reach 30-40percent per year in 'boom' periods where labour market conditions are tight (Jones 2003).

2.2 Mid-Order Financial Services Occupations

The academic literature on employer demand in mid-order financial services occupations largely focuses on consumer or retail financial services jobs because they feature heavily in this segment of the sector's labour market. In terms of skills and the nature of employer demand, two major factors emerge.

First, most of the mid-order occupations in financial services are skilled or highly skilled. Occupations in retail financial services such as financial advisor or mortgage broker generally require a higher education qualification, with a majority of occupations requiring a first degree. Many occupations require a postgraduate professional or vocational qualification (for example, as accountants, financial advisors, or mortgage brokers).

Second, in contrast to the business-oriented nature of many high order financial service occupations, the mid-order occupations require skills more aligned to interacting with retail finance customers. While they are certainly 'skilled', these occupations are less highly skilled than business-oriented financial services occupations. Employers in mid-order occupations have less rigorous and tightly defined requirements for recruitment in terms of educational background and previous experience.

Third, as a consequence of the focus on the customer, interpersonal skills are extremely important in many mid-order occupations (Beaverstock 1996; Pollard 1999). The quality of work provided by mortgage advisors or retail bank managers is heavily influenced by customer experience, so interpersonal and communication skills in dealing with customers are important (O'Loughlin and Szmigin 2006). Research suggests that migrant workers, especially those with poor English language skills and lack of socialisation into UK culture and values, are at a significant disadvantage with respect to these customer-oriented skills (Alexander and Pollard 2000). They are also excluded because they likely lack UK-based or recognised professional qualifications.

While this review could identify no research that established whether employers found migrant workers who lacked these 'soft skills,' the cautious indication from examining skills in these occupations is that the barriers to recruitment of migrants into occupations in financial services

are considerable, and that migrant workers struggle to meet employers' criteria for many occupations.

2.3 Low Order Financial Service Occupations

With respect to the low order financial services occupations identified, the existing research indicates greater diversity in the nature of the skills associated with different jobs in this group. It also suggests that the skills' requirements for these low order occupations in financial services are very different to those associated with the high order ones. Three major features of employer demand are identifiable.

First, many low order financial service occupations involve routinised (Leidner 1993) work that does not require a degree level qualification. The National Vocational Qualifications (NVQ) levels used to formally describe skill requirements for occupations may therefore more accurately capture the skills employers are looking for. Low order financial service occupations in retail banks, accounts, and as pension or insurance clerks are characterised as semi-skilled jobs because a good secondary school education is required, but entry level recruitment employers also seek basic but good skills around language, numeracy, communication and organisation. There are no specific vocational qualifications for many of these occupations.

It should, however, be noted that a small number of the occupations identified (for example, as database assistants or computer technicians) require a higher level of formal qualifications necessitating further education or higher education levels.

Third, although requiring only basic formal qualifications, a significant sub-group of the identified low order occupations do require other 'soft skills,' which is consistent with the customer-oriented nature of consumer financial services. Occupations such as call-centre agents or customer care assistants require interpersonal, communication and other 'soft skills' similar to those needed in the mid-order occupations in consumer financial services discussed above. Whilst the work practices of call-centre agents are more routinised and regulated, employers still require workers who have good communication skills in English and an ability to relate to UK cultural values (James and Vira 2008). There is a growing body of research examining the specific nature of call-centre work and which highlights the need for agents to relate and interact

with customers in ways that provide good service. Research has also examined how call-centre employers are investing significantly in training in order to develop these kinds of desirable interpersonal skills in their employees (Belt et al 2002).

3. Characteristics of the labour supply in financial services

The next task in considering the three-fold segmentation of high, mid- and low order occupations in financial services in the UK is to consider existing research into the nature of the labour supply available to employers. Due to the relative distinctiveness between occupations in each occupational order, they will each be examined separately.

With regards to high order occupations, the key factor that emerges from research is that the pool of British workers in highly skilled occupations within the UK is very limited. This is not surprising given the generally very high degree of skill specialism required, and fact that this 'high order' category is in fact composed of a large number of specific specialised occupations that each employ relatively few individuals (Beaverstock and Smith 1996; Sassen 2002; Jones 2003; Liaw 2006). Due to the degree of specialism, the UK has a small pool of suitable labour that could potentially fill vacancies. In terms of non-British workers, there exists a global pool of labour which is concentrated in a limited number of key financial centres in Europe, North America and Asia. In effect, many of these occupations thus recruit from an (increasingly) global labour market with little difference between national labour markets in terms of the characteristics of this specialised labour pool. Research suggests that UK employers expend considerable time and effort recruiting for these occupations and that there is no 'reserve' pool of labour that they are not currently seeking to recruit from (Beaverstock 2002; Jones 2003).

Regarding mid-order financial service occupations, there is less research into the nature of the labour supply in the UK. There is also likely to be more variation in the nature of potential labour pools between the different occupations identified. Existing research does, however, indicate a number of general characteristics of the labour supply. First, for many customer-oriented mid-order occupations, there is a good supply of graduate labour in the UK. Employers in the UK can recruit accountants or retail bank managers from a substantial pool of graduates from the UK higher education sector which, at the international comparative level, provides the UK labour market with a high proportion of graduates with degrees suitable for entry into these occupations. Research suggests that UK accountancy firms, for example, recruit primarily from

UK Higher Education (HE) institutions and that over the last two decades there has been a sufficient supply of UK graduates (the majority of whom are British nationals) (Beaverstock and Smith 1996; Walker 2004). For many mid-order occupations, there is a potential pool of non-British workers in the EEA who could be recruited if shortages in the labour supply emerged, but they are likely to be less attractive to employers because of the key need for English language fluency in these occupations in the UK context. The review identified only limited evidence that employers seek to recruit for mid-order financial service occupations outside the national labour market in the UK (Hanlon 1999).

Finally, concerning the labour supply in low order financial service jobs, there has been limited research and that which exists has been undertaken on a limited number of occupations. Given the relatively lower skill requirements, there exists a substantial pool of potential workers for occupations such as bank, accountancy or filing clerks among British workers. While there is evidence of tight labour market conditions in London and the South East where many of the jobs are concentrated (Office for National Statistics 2008), an available pool of labour exists in the economy as a whole which could theoretically fill vacancies at the national level. There is some scope for employers to draw on labour supply from the EEA more widely, but again language limitations and lack of other 'soft skills' make this pool of labour less attractive to employers for many low order occupations.

It also worth emphasising that rather than being concerned with the domestic labour supply for these occupations, research has been more concerned with the policies of employers to 'off-shore' several of these job categories. Several major financial service employers have off-shored call-centre and back-office data processing operations out of the UK to lower wage locations elsewhere in Europe and in Asia. This reinforces evidence from regional policy and industrial location literatures that, in these activities, there is no evidence of labour shortages in the UK. Furthermore, the literature on call-centre off-shoring does identify the strong representation of British workers in call-centres, reflecting the linguistic and 'soft' skill dimensions to the jobs (Belt, Richardson et al. 2002; James and Vira 2008). One implication of this is that the potential barriers to entry to call-centre work for unemployed UK workers appear to be low (apart from an uneven regional geography of call-centre locations). Many financial firms in this sector offer on-the-job training and flexible working arrangements that make part-time and non-traditional working patterns possible (Belt, Richardson et al. 2002; James and Vira 2008).

4. Immigration and labour demand

The nature of demand for migrant labour varies considerably between the three different orders of occupation identified in this paper. Accordingly, each segment of the labour market will be considered separately.

For the high order occupations, a substantial body of research points to a significant and growing demand of highly skilled migrant workers in financial services. While this review identified no sector wide data⁴ for this, research into several sub-sectors at the firm level indicates that the percentage of highly skilled migrants in high order occupations has increased over the last decade. This demand for migrant labour is concentrated around London and the South East region, for three reasons. The first reason is the status of London as a leading global city and one of three top financial centres in the global economy (Hyde and Dilnot 2000; Sassen 2001). Second, UK demand for highly skilled migrants in financial services reflects the structural developments of the sub-sectors with high order occupations (Jones 2003). In particular, there is greater diversity and specialism in occupational terms as finance services fracture into an ever-increasing number of specialised activities (for example, exotic derivatives, private equity, hedge funds, and pension funds) (Liaw 2006). This is producing a global labour market for high order occupations as the pool of suitably skilled persons in any single national economy is very small. Firms seeking to fill these occupations thus make extensive use of (international) recruitment agencies to identify suitable workers for a specific role (Beaverstock, Hall et al. 2006). Research suggests that this has led to an increasing internationalisation or 'cosmopolitanization' of the labour force in London and the South East. Compared to 20 years ago, the number of highly skilled migrants working in the financial service sectors in London has grown significantly (Hamnett 2003). Whereas in the early 1980s, migrant employment in these occupations was probably less than 5 percent (Thrift and Leyshon 1992; Sassen 2001), based on firm level research in banking and related financial services, this figure is now likely to be over 10percent and may be in the 15-20 percent range for high order occupations (Sassen 2001; Jones 2003).

⁴ Existing research suggests that financial service firms either do not collect such data or are extremely reluctant to make such data available. The latter is largely explained by the high costs of overseas recruitment and the competitive nature of global labour markets for highly specialised high order occupations in financial services. Recruitment agencies are also very reluctant to provide data (or even discuss) on origins of employees they find for client firms (Beaverstock et al. 2006).

Third, industry globalisation in many financial service sub-sectors is leading to a transformation of working practices that is increasing the demand for migrant workers (Morgan 2001). As a leading global city, research suggests that London is increasingly playing a key role as a 'hub' for highly skilled migrants in global financial service sector labour markets (Koser and Salt 1997), and workers in this sector (both UK nationals and migrant workers) are becoming increasingly mobile, both in the short- and long-term. Working practices in many high order financial service occupations require a high degree of short-term business travel (business trips), and also for many occupations, several secondment periods overseas as expatriate workers are becoming the norm in terms of individual worker career paths (Beaverstock 2004; Jones 2008). Perhaps most importantly, there is evidence that international mobility is an explicitly desirable characteristic of employee experience. Firms need senior and professional employees who have worked overseas, who are familiar with different cultures and ways of working, and who have a detailed understanding of different regulatory jurisdictions (Jones 2003; Faulconbridge 2004; Hall 2006).

This leads to a complicated set of implications for the role of immigration. In particular, an important distinction exists between intra-firm transfers and new recruitment. Regarding the former, research suggests that in high order occupations, many London-based financial service firms employ a growing portion of their workers in the UK on 'secondments' from overseas (Taylor, Beaverstock et al. 2003). Such 'internal transfers' in transnational firms range between 6 months and 4 years, and involve employees who are established and experienced in their respective occupations.⁵ In most cases, employees anticipate leaving the UK at the end of their secondment (Jones 2003; Beaverstock 2004). However, in a context where firms are competing for highly specialised skills in a global labour market, some of these intra-firm transfers remain in the UK for longer.

In terms of the new recruitment practices in high order occupations, research suggests that the primary modes of recruitment are either through inter-personal contact networks of UK-based employees or through the use of international recruitment firms (Beaverstock 2004; Faulconbridge, Hall et al. 2008). Career mobility produces circumstances where senior managers in the UK can recruit migrants whom they or colleagues have encountered through

⁵ No quantitative data on financial service firm internal transfers were identified. Existing research is based on some partial quantitative data from specific firms, but relies more on qualitative commentary from key business managers (Jones 2003; Faulconbridge 2004)

professional networks. There is also limited evidence to indicate that UK-based recruitment at the graduate level is leading to some non-UK workers on student visas being recruited from elite educational institutions (McDowell 1997), but many UK firms (for example, banks and accountancy firms) recruit directly at this level from elite institutions across Europe (for example, MBA graduates from INSEAD and the Sorbonne) (Jones 1998). At more advanced career levels, however, the primary method of hiring is through recruitment agencies that maintain an international network of offices and contacts to fill specialised occupations from a global pool of labour (Faulconbridge, Hall et al. 2008). Given the recent growth of China and other Asian economies, there is anecdotal evidence of a growing demand and efforts from financial service employers for highly skilled nationals from that region.

With regard to the demand for migrant workers in mid-order occupations, the picture is a rather different one to high order financial services. Although there is little direct research and no quantitative data was identified, the evidence suggests that most mid-order occupations have limited proportions (probably less than 5 percent) of migrant workers and there is little or no demand from employers for them (Hanlon 1999; Leyshon and Pollard 2000). There appears to be an adequate supply within the UK for most occupations in this group, and there is only very limited evidence of employers seeking to recruit outside the UK or other national labour markets (Hanlon 1999; Leyshon and Pollard 2000). No research was identified which directly addressed the issue of whether and when employers recruit outside national labour markets for these occupations.

In the low order financial service occupations, research and evidence in relation to the demand for migrant labour is sparse. This is perhaps indicative of the relative insignificance of migrant workers in the occupations identified. While it is likely that some migrant labour is employed in occupations such as data processing, as computer technicians and in clerical roles, the review found no evidence of any specific use of or demand for migrant labour. Employers for these lower skill jobs appear to recruit in regional labour markets, with the possible exception of London, where tight labour market conditions periodically lead to recruitment in national markets (Leyshon and Pollard 2000). As discussed in the previous section, in the customer-centred occupations in this group (for example, in call centres and as customer service agents) there is some evidence of significant barriers for migrant labour in linguistic, cultural and 'soft skills' terms. For sub-sectors involved in call-centre activity, existing research points to 'off-shoring' as the dominant labour market strategy rather than use of migrant labour. In general, given the

decentralisation of many low order financial service activities out of the high cost South East region to the UK regions (Coe and Townsend 1998), there is no indication of recruitment difficulties for employers.

5. Alternatives to immigration for responding to perceived labour shortages

Potential responses to labour shortages in the different segments of the financial service sector labour market need to be considered for each of the three labour market 'order' segments.

First, regarding high order occupations, a significant body of research supports the view that there is no real alternative to immigration in responding to shortages of highly skilled workers in high order financial service sector occupations (Salt 1997; Beaverstock and Boardwell 2000; Sassen 2001; Beaverstock 2002; Jones 2003). This is due to a variety of factors, including; the very limited pool of workers in the labour market with appropriate skill sets (Sklair 2001); the fact that wages in these occupations are already high and benchmarked with regard to salary in global labour market (Financial Services Skills Council 2006a); the specialist skills and knowledge required by employers; the lack of scope to alter the work process, and; the close reliance on the personal characteristics of employees (Beaverstock, Hall et al. 2006).

With regards to the last point made above, it is important to note that the socially interactive dimensions of undertaking high order financial service work (for example, in banking and financial management) cannot easily be substituted with new forms of technology, and the centrality of co-presence means that off-shoring high skill work is not possible (Jones 2005). Given the substantial salary costs involved in locating these workers to the highest cost region of the UK economy, it is likely firms would have invested in new technologies and/or adopted off-shoring strategies already if this were feasible.

The existing research suggests that the likely consequence of reducing access to non-EEA workers in the top segment of the financial service sector labour market would be highly detrimental to UK economic competitiveness and the attractiveness of the UK as a location for producer-oriented financial services (Sassen 2001; Sklair 2001; Wood 2006; Beaverstock, Hall et al. 2006). The literature reviewed for this paper suggests that current immigration policy has little or no impact on the training opportunities for British workers in these occupations and that given the limited size of the potential pool of workers; up-skilling is not a feasible alternative to

recruiting highly skilled migrants. Overall, there are no real alternatives to immigration in this top segment of the financial service sector labour market and there are no reserve pools of labour within the UK that could provide an alternative supply of workers for these occupations.

Second, with regard to the mid-order occupations, existing research has not explored alternatives to immigration (primarily as a consequence of the low levels of migrant labour in these occupations presently). For the reasons stated earlier, in the event of labour shortages in many of these occupations, research on the nature of the work in occupations such as retail banking and accountancy suggest immigration is a less attractive means of tackling the problem (Hanlon 1999; Leyshon and Pollard 2000). Immigrant workers from outside the UK are likely to require more training and be less able to fulfill the 'soft skill' requirements employers seek. There is therefore scope for up-skilling among UK workers to any fill labour shortages that arise, and policy measures might link to improved higher education training courses that equip and re-skill British workers to fill these roles. As with the high order financial service occupations, off-shoring does not represent a viable means to tackle labour shortages because of the face-to-face customer-oriented nature of work in many mid-order occupations. Some research suggests that new forms of technology do provide opportunities to reduce the labour processes in some of these financial service occupations (Financial Services Skills Council 2006a; Durkin, O'Donnell et al. 2007). In retail banking, for example, over the last decade a number of leading employers have reduced customer-facing staff for routinised services in high street banks and replaced them with automated transaction processing machines (Farquhar and Panther 2007).

Third, in the low order occupations, the review found no research that has examined alternatives to the use of migrant labour. This probably reflects the fact that there is low level of migrant labour used in most of the occupations and an adequate labour supply within the UK economy. In terms of addressing regional shortages of workers in these occupations, this is most likely relevant for London and the South East, but the incentives for employers are likely to favour up-skilling or raising wages to attract internal UK migration. This is primarily because of the importance of language, communication and 'soft' skills in even low order financial service occupations.

Overall, in relation to the impact of reducing access to non-EEA workers in financial services, it appears this would largely be confined to high order occupations. However, the evidence suggests that the impact would be detrimental or highly detrimental to a key set of activities and

drivers of growth in the UK economy. Beyond these high order occupations, there is no evidence to suggest that reducing employer access to non-EEA workers would be significant. To a large extent, for many mid- and low order financial service occupations, the research suggests immigration is a less desirable response to labour shortages than seeking to fill shortages from the wider UK labour market by increasing training, raising wages or encouraging inter-regional migration to increase the labour supply.

6. Assessment of optimal response to alleged staff shortages

In light of the discussion of the nature of the labour market in financial services, and its use of migrant labour, four key considerations that need to be taken into account concerning how and whether immigration policy should respond to employer demand for non-EEA workers will be proposed.

First, the clear conclusion which can be drawn from academic research is that the labour market for highly skilled financial service workers is highly competitive and globalised (Taylor, Beaverstock et al. 2003), and there is a very limited supply of the workers in the labour market within the UK (as there is in any national economy) (Salt 2002). As a consequence, the use of migrant workers is an integral and important aspect of firm and industry competitiveness (Sassen 2001; Jones 2003) which must be understood in the wider context of globalisation processes in many financial service sub-sectors (Lewis 1999; Bryson and Daniels 2000) and the fracturing and specialisation of high order financial service occupations. The forces driving this are the globalisation of financial service sector activities based in the UK (and concentrated in London) along with the absolute growth of the sector in employment and, in terms of Gross Domestic Product, the UK economy. The growth in non-British workers is also a response to the shortage of such workers in the UK due to the highly specific and non-codified skills that employers are seeking. There is evidence that UK-based firms have to compete for workers against other leading advanced economies in the EU, North America and Asia. It is strongly desirable in terms of the competitiveness of the UK as a location for these financial service activities that immigration policy allows firms to recruit non-EEA workers as they see fit.

Second, and related, the review found no evidence that current UK immigration policies act as a significant constraint on the ability of firms to fill high order financial service sector jobs with highly skilled migrants (McLaughlan and Salt 2002; Clarke and Salt 2003). There is no evidence

of any significant constraint that damages UK-based firm competitiveness. However, future UK immigration policy adaptation might consider further streamlining and facilitating the process by which high order occupations in financial services can be filled by non- EEA migrants.

Third, in the mid-order financial services sector occupations there is no research to indicate significant employment of migrant workers (either EEA or non-EEA) across these labour market segments. To a large extent this is due to the relative incompatibility, from an employer perspective, of many mid-level financial service occupations with migrant labour. Many of these occupations are in 'consumer' financial services (for example accountants or retail bank employees) which require high degrees of customer interaction associated with interpersonal 'soft' skills set not suited to migrant workers coming from outside the UK context. A further barrier to the use of migrant labour is the need for UK-based accreditation or vocational qualifications in a number of these occupations. The only cautionary point that does need to be made is that some of these mid-order occupations (for example, accountancy) are hard to distinguish from high order roles in the same sub-sector where the same arguments concerning the need for firms to be able to recruit non-EEA highly skilled worker apply (as discussed above).

Fourth, in the low order financial service occupations, while there is no evidence to suggest significant employment of non-EEA migrant workers at present, several occupations do represent jobs that could relatively easily be filled with migrant workers (for example, data processing). At the UK national level, there is no current basis for staff shortage in these lower skill occupations, and in peripheral regions of the UK economy some jobs in these sectors are being lost as firms 'off-shore' these activities to cheaper wage locations in Asia. However, in terms of immigration policy, research into a number of these occupations suggests that their relatively lower skill requirement means that staff shortages can be effectively tackled in the UK by reskilling, inter-regional migration, raised wage levels and the utilisation of new technologies.

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