

Potential support from employers and other stakeholders to the development of the Migration Advisory Committee's shortage occupation lists

1. Introductory points

1. Drawing on the experience of the work to develop the Committee's first recommended shortage occupation lists for the UK and Scotland, published in September 2008 (www.ukba.homeoffice.gov.uk/mac), this note sets out some ways in which stakeholders may inform the development of future lists.
2. This note, first, sets out some introductory points. Then it discusses each of the three elements (skilled, shortage and sensible) of the Committee's methodological approach in turn, and indicates where and how evidence submitted can help the Committee to implement the approach.
3. This note does not provide a comprehensive overview of the MAC's methodology. Nor is the intention to constrain the areas in which stakeholders may potentially advise or support the Committee. The Committee's methodology was described in detail in the September 2008 report, and it is willing to take evidence relevant to any aspect of that.
4. It is unlikely that the Committee's methodological approach will fundamentally change before the next partial review of the shortage occupation list in spring 2010, but the Committee is committed to reviewing the methodology if a convincing case is made to them by others or their own research. It is generally assumed below that the Committee will, in the immediate future, continue to apply the broad methodological approach used in its September 2008 report, but any major changes will be communicated via the MAC website and in other MAC communications.
5. However, in the initial phase of work, some allowance was made for the unfamiliarity that stakeholders had with the new process and the limited time available to assemble evidence. Comprehensive adherence to the principles in this note will be required to justify inclusion of job titles or occupations on future shortage occupation lists.

Occupations, job titles and sectors

6. The September 2008 report distinguished between job titles and occupations. The Standard Occupational Classification (SOC) 2000 utilises four levels of aggregation. The "unit group" (4 digit) level, which is the level most relevant to the Committee's work, breaks down the labour market into 353 occupations. It is the most detailed occupational breakdown available. Some national level data can be disaggregated to this level. However, many (asserted and actual) labour

shortages occur at the sub-occupational or job title level. Where this note refers to job titles, it refers to those jobs that are more specific in their nature than the SOC coding system allows, such as the job of aerospace engineer in the box below.

7. National level data at the job title level is generally not available. When looking at specific jobs, therefore, bottom-up evidence from MAC stakeholders is particularly important.

Box: A job title and associated occupations

Major Group: **2** Professional occupations

Sub-major group: **21** Science and technology professionals

Minor group: **212** Engineering professionals

Unit group: **2122** Mechanical engineers

Job title: Engineer, aerospace

8. The Committee's remit is to develop a shortage occupation (or job title) list, whilst employers and other bodies often think in terms of *sectors*. The implications of this are discussed in section 5 of this note.

Methodological approach

9. The Committee has set out a three stage approach to drawing up the shortage occupation lists for the UK and Scotland:

first, it considers whether individual occupations/jobs are sufficiently **skilled** to be included on the shortage occupation lists;

second, it assesses whether there is a **shortage** of labour within each skilled occupation/job; and

finally, it considers whether it is **sensible** for immigrant labour from outside the European Economic Area (EEA) to be used to fill these shortages.

10. It is important that evidence to the Committee explicitly details how the occupation or job title satisfies **each** of the criteria underpinning the definitions of “skilled”, “shortage” and “sensible” as described in this note and in more detail in the September 2008 report. Specifically, the question of sensible is at least as important as skilled and shortage. The process for submitting evidence to the Committee is discussed further in section 5.

11. When addressing these questions, it uses a hybrid method that combines the consistency and comprehensiveness of a "top-down" approach using national level data with the fine-grained detail and contextualisation of a "bottom-up" method using evidence relating to particular categories of jobs and sectors. Each of the three criteria is discussed in sections 2-4 below.

Regional issues

12. The shortage occupation lists under Tier 2 of the Points Based System (PBS) apply to the whole of the UK, with a supplementary list for Scotland only. A skilled labour shortage confined to a particular locality or region is therefore unlikely to meet the criteria that define a national shortage.

13. Evidence of labour shortages in particular regions may indicate shortages at the broader national level, and the MAC may therefore still be informed by local or regional evidence. Such evidence on its own, however, will not be fully convincing unless accompanied by evidence that the shortage within a particular area reflects a wider problem.

2. Skilled

The Committee's approach

14. There is no unique, objectively defined measure of skill. Nonetheless, individual jobs under Tier 2 of the PBS need to be skilled to at least National Qualifications Framework (NQF) level 3 (SCQF level 6). It follows that the shortage occupation lists should contain only occupations and job titles at this level or above. The Committee assesses this by examining factors that could indicate whether an occupation is skilled at the required level.

15. In all, the Committee has identified five main skill indicators that it believes are relevant to determining skill. These are:

- **the skill levels defined in the SOC hierarchy:** the Committee requires that an occupation is defined as skill level 3 or 4 in SOC 2000 in order to count as skilled on this indicator: level 3 applies to occupations that normally require skills, experience or knowledge usually associated with a period of post-compulsory education but not at degree level; level 4 relates to the so-called "professional" occupations and managerial positions that normally require a degree or equivalent period of relevant work experience;
- **formal qualifications:** for an occupation to count as skilled on this indicator, the Committee require that a proportion of the workforce (50 per cent or more in the September report) within a job or occupation are qualified to NQF level 3 or above;

- **earnings:** for an occupation to count as skilled on this indicator, median hourly earnings for all employees needs to be above a particular level (£10 or more in the September report);
- **on the job training or experience** required to carry out the job to the appropriate level: for example, in occupation 5231, motor mechanics, only 40 per cent have formal level 3 or above qualifications, but a fraction of the remainder will have acquired the requisite skills via on-the-job training; and
- **innate ability** required to carry out the job to the appropriate level: This implies a high level of skill even though many in the occupation may not have formal qualifications. For example, within occupation 3414, dancers and choreographers, only 30 per cent in this occupation have formal qualifications at level 3 or above. Yet there will be a limited supply of individuals with the ability to become what most people will regard as a skilled practitioner of this occupation.

16. The first three can be analysed, at the 4-digit occupational level, using UK-wide top-down data sources. The last two indicators (on the job training or experience and innate ability) cannot be measured reliably using national level data, and the Committee have not so far used a formal benchmark for these indicators.

Evidence on “skilled” submitted to the MAC

17. When proposing occupations or job titles as "skilled", or otherwise there are several specific areas where employers or other stakeholders can play an essential role by providing evidence:

- evidence in relation to the “skilled” indicators, or related indicators, as discussed above (ideally based on relevant and reliable data, but anecdotal evidence is also useful to some extent);
- evidence or opinion on the applicability of the Committee's skill indicators to particular job titles or occupations (e.g. "qualifications are a good indicator of skill required in occupation X because...");
- suggestions of, and evidence on, additional skill indicators in particular occupations;
- evidence on earning levels or proportions qualified to NQF level 3+ for specific job titles at the sub-occupational level;

- evidence on minimum qualifications required (either informally or on a regulatory basis) to be a skilled practitioner in a particular job or occupation;
- evidence of the required or compulsory level or duration of on-the-job training required to become a skilled practitioner in a particular job or occupation; and
- putting the Committee in touch with other bodies that may help it to understand the skill levels required within particular job titles or occupations.

3. Shortage

The Committee's approach

18. As with skill, there is no universal definition or measure of "shortage". However, two main lessons emerge from the UK and overseas literature. First, although these attempts at identifying shortages of skilled labour are based upon different methods, it is apparent that most approaches do not rely on a single indicator of shortage. The Committee therefore examine a range of indicators in their top-down analysis of shortage.

19. Second, the differences between the approaches suggest that there is no single infallible way of measuring shortage. Hence it is crucial that quantitative analysis is contextualised by background information and knowledge of the labour market. The Committee therefore pay careful attention to the bottom-up evidence on shortage.

20. If an occupation is suffering from labour shortage the Committee expect to observe certain trends in various indicators; this may potentially include the following:

- a relatively high (i.e. significantly above what would be a reasonable level) number of skill shortage vacancies as a proportion of (a) employment, (b) all vacancies and (c) hard to fill vacancies;
- a relatively large percentage rise over a recent period (e.g. the last year) in average (mean and median) hourly pay for all employees;
- a relatively large percentage rise over a recent period in average hours worked for full-time employees;
- a rise over a recent period in the proportion of newly recruited workers in the occupation; and

- long vacancy durations (despite appropriate advertising), and/or evidence that durations are increasing.

21. For its national-level data analysis, the Committee examined twelve quantitative measures of labour shortage which do not cover everything that can be measured and may not therefore give a comprehensive view of shortage in every case. Furthermore, as with skill, the indicators are typically observable at the occupational level only, rather than for more specific job titles.

Evidence on “shortage” submitted to the MAC

22. When proposing occupations or job titles as experiencing shortages, or otherwise, stakeholders can play a key role by providing input that includes the following:

- evidence in relation to the “shortage” indicators, or related indicators, as discussed above (ideally based on relevant and reliable data, but anecdotal evidence is also useful to some extent);
- evidence or opinion on the applicability of the Committee's shortage indicators to particular job titles or occupations (e.g. "earnings growth is not a good indicator of skilled labour shortage in occupation X because...");
- suggestions of, and evidence on, additional shortage indicators in particular occupations;
- evidence on skill shortages, earnings growth, vacancy durations, recruitment of newly qualified workers, and hours worked; particularly at the job title (sub-occupational) level;
- evidence on potential indicators of labour shortage not well covered by national level data, such as levels of, or growth in, expenditure on training by employers;
- softer labour market intelligence on the relevant indicators (e.g. evidence from classified job adverts – number of vacancies, salaries offered etc);
- information on past or projected future trends (supported by evidence) in the demand for, and supply of, workers within an occupation. This may include information on the age profile of the workforce, expected retirement patterns, and information on the number of newly qualified workers expected to come on stream. However, the Committee is unlikely to view evidence of potential future shortages alone as sufficient for immediate inclusion on the shortage occupation lists;

- information on shortages of skilled workers that are not reflected by measurable indicators (and reasons why they aren't reflected); and
- putting the Committee in touch with other bodies that may help it to understand the level or nature of shortage within particular job titles or occupations.

4. Sensible

The Committee's approach

23. The definition of “sensible” depends on the underlying policy objectives, which were discussed in the Committee's September 2008 report. “Sensible” may be less easy to quantify than skilled and shortage. However, the sensible criteria is at least as important as skilled and shortage, and if a convincing case is not made that employing non-EEA immigrants would be sensible, occupations will not be included on the Committee’s recommended shortage occupation list.

24. The Committee have identified four key indicators of sensible:

- what are **the alternatives to employing immigrants in response to perceived staff shortages**, are these alternatives feasible, and have employers explored them fully? If not, what are the actual or perceived obstacles?
- how would bringing in immigrants relate to **skills acquisition** of the UK workforce? Are there enough UK resident workers in training/education to fill shortages? Will bringing in immigrants reduce employers’ incentives to invest in training and up-skilling of UK workers?
- how will the employment of immigrants affect **investment, innovation and productivity** growth? Is there a particular case for employing immigrants to support and maintain the UK's international competitiveness in certain sectors? and
- how will a decision to add an occupation to the list affect **the wider UK labour market and economy**? How, if at all, will access to immigrant labour affect employment opportunities and conditions of the UK workforce?

25. Only limited national-level data are generally available on "sensible" and this must be carefully contextualised to allow correct interpretation. Therefore, the Committee is particularly reliant upon bottom-up data when considering the question of "sensible".

Evidence on “sensible” submitted to the MAC

26. When putting occupations or job titles forward as those that should be sensibly filled by migrants from outside the EEA, or otherwise, it is important that, where possible, bodies submitting evidence provide information on existing policies to train and upskill the resident labour force, including timings, likely volumes of trained individuals who will exit such programmes and enter the occupation, and estimates of how this is likely to help meet demand. This should include detail of actions that have been taken to upskill the UK-born workforce in response to the MAC’s previous shortage occupation list.

27. Employers and other stakeholders can also play a key role by providing input on areas that include the following:

- evidence in relation to the “sensible” indicators, or related indicators, as discussed above (ideally based on relevant and reliable data, but anecdotal evidence is also useful to some extent);
- evidence and opinion on the likely productivity impact of access to non-EEA immigrants, including whether migrants are likely to displace or complement resident workers;
- evidence or examples of employers looking to use alternatives to non-EEA migrants, including investment in technology or machinery, and efforts to recruit employees from within the EEA labour market;
- opinion on the likely impact of being on the shortage occupation list in terms of efforts that would be made by employers to seek alternatives to non-EEA labour;
- evidence on the level of dependence on immigrant labour within particular occupations, and opinion on how various agents (including the MAC, Sector Skill Councils, Government and employers) may work together to reduce high levels of dependence in the long-term; and
- putting the Committee in touch with other bodies that may help it to gain further information on the above issues.

5. Evidence to the MAC

Data requirements

28. The Committee perform their own detailed analysis of national level data and do not require stakeholders to replicate this work. However, some reference to, and therefore analysis of, national level data may nonetheless be helpful if stakeholders wish to draw to the Committee’s attention to any feature of that data

(e.g. "wages have risen rapidly in the past year in occupation X, but this does not indicate labour shortage because...")

29. If evidence-submitting bodies believe that they have access to data more appropriate for the analysis than national-level data, then the Committee welcome the chance to share this data. It is important, however, that it is explained why a particular data set may be preferable to the national-level data and, where possible, provides explanation of any major discrepancies between the two sources. It is also important to provide information on the robustness of the data (sampling methods, sample size, known limitations etc).

30. The nature and extent of labour shortages changes over time, and it is therefore important that the Committee receive up-to-date data where possible. Where these are not available, it is important to provide supporting evidence of why the data are thought to be still relevant at the current time (e.g. "the skill shortage vacancy data are from 2006, but we believe that these shortages still exist because overall vacancy rates in the occupation rose by 20 per cent between 2006 and 2008 and the supply of newly qualified entrants has not increased over that period").

Presentation and submission of evidence

31. The process for submitting evidence to the Committee is set out on pages 211-212 of the Committee's September 2008 report. The Committee is particularly interested to receive evidence on job titles and occupations that either are, or it is believed should be, on the current shortage occupation list. However, useful evidence has also been supplied in the past arguing that particular occupations should not be included on the list.

32. It is important that evidence to the MAC specifies which occupations and job titles, according to SOC 2000 at the unit group (4-digit) level, the evidence relates to. If the area of labour shortage does not neatly map onto SOC 2000, it is important to make this clear, but the Committee nonetheless need to know the closest match. Specifically, where evidence relates to sectors rather than occupations, it is important that the Committee understand which occupations are most closely linked to those sectors.

33. The Committee is willing to take evidence in relation to any job or occupation at any time. In order to feed into our main 2010 review (which will be published in the autumn of 2010) the Committee needs to receive evidence in the spring or early summer of 2010 (a deadline date for evidence will appear on our website early in 2010).

34. As stated above, each of the three criteria – skilled, shortage and sensible – must be satisfied for an occupation to be placed on the recommended list. However, evidence against each of the specific indicators listed under those

headings is not a necessary condition for an occupation to be placed on the shortage occupation list, for two primary reasons:

although the overall framework used is consistent across the whole labour market, some specific criteria may be less relevant in particular cases (e.g. formal qualifications may be argued not to be a good indicator of skill level in some cases); or

information on all of the Committee's indicators may not be available, at least in the short-term (e.g. there may not be existing surveys of skill shortage vacancies in a particular sector or occupation).

35. Therefore, a degree of judgement will be required in interpreting the evidence that is available. The secretariat will be happy to discuss with stakeholders how this judgement may be best applied to individual job titles or occupations.

36. In some cases the Committee might agree particular approaches to specific areas with particular partners, in relation to key occupations (e.g. healthcare-related occupations). However, the broad principles discussed above will still apply in these cases.

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