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## **A3 Skilled Migration: The UK and Australia**

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### **A3.1 Introduction**

Labour immigration policy is currently in a state of flux. For long it has been the Cinderella of migration policy. From the 1950s most Government interest and concern focused on family settlement and the integration of ethnic minorities. From the late 1980s, asylum took centre stage. Since the late 1990s, economic migration has climbed the political agenda, culminating in a proposal for a new migration management strategy in 2005. Its objective is twofold: to provide the skilled labour deemed important to the UK economy and to enhance control over entry and return in order to deter abuse.

This paper will review the policy background to the latest developments as a prelude to reviewing the literature on the economic impact of migration in the UK. It will then present a brief analysis of the European dimension - considered a key contextual difference in the operating environments of UK and Australian immigration policies - including the provision of free movement of labour in the EEA and the effects of the enlargement of the EU in May 2004. The current work permit system and other routes of entry for skills will be discussed, including statistical evidence of the resulting selectiveness. Next, the proposed new five-tier system will be described, along with the issues still to be resolved. Finally, a comparison with the Australian situation will be attempted.

### **A3.2 The policy background in the UK**

When the Labour Government came to power in 1997 it inherited a migration policy the principal objective of which had been to reduce immigration to the "irreducible minimum". During the period of Conservative government (1979-97), for the most part migration was interpreted as settlement migration, although latterly asylum came to dominate policy making.

Labour migration scarcely got a look in. Partly this was because the freedom of movement provisions within the EU meant there could be little control from that source. There was also uncertainty over GATS Mode 4 negotiations and their likely impact on work permit arrangements. Mainly, however, it was because labour migration was not perceived to be a problem. Numbers entering through the work permit system were still relatively modest and in any case, those who came through this route were

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deemed to be assets to the economy, providing relief to the temporary needs of employers for certain skills. Successive reviews of the work permit system in the 1980s and early 1990s had produced a route of entry that was frequently criticised for its tardiness but on the whole seemed to be working.

Furthermore, while overall immigration policy was in the hands of the Home Office, along with some schemes of labour entry (notably the Working Holidaymakers Scheme (WHMS) and the Seasonal Agricultural Workers Scheme (SAWS)), operation of the Work Permits Scheme, the main labour route of entry, lay with the Department for Education and Skills (DfES). It was thus not surprising that the first migration White Paper of the new government (Fairer, Faster and Firmer) laid much emphasis on family settlement and asylum seeking but said almost nothing about labour immigration. Also worthy of note is that this White Paper, along with most of its successors, was silent on the subject of emigration, either of British citizens or of other nationalities. The debate about both skilled migration and migration generally was thus couched almost entirely in terms of immigration. Again, this was in large part due to departmental responsibility within government. The DfES operated the work permit system for managing labour immigration but had neither responsibility nor much interest in labour emigration.

Since 1998 the UK government has been reviewing and developing its policies towards labour migration, both to deal with existing and anticipated skill shortages and increase economic competitiveness. A speech by the then Minister in charge of migration issues, Barbara Roche, in September 2000 is generally credited with opening up for the first time overt government support for higher levels of skilled immigration. In its general economic and social overview of migration policy and trends a Home Office paper (Glover et al, 2001) pointed to some basic problems in bringing about a better management system for economic migration. These were: the lack of information on migrant characteristics and on the consequences of migration; the lack of co-ordination across the different routes [of entry] or with broader economic policy objectives; migration policy and the entry control system was not sufficiently joined up with other areas of Government policy; migration policy was poorly integrated with other Government policies. In 2002 a HO White Paper (Secure Borders, Safe Haven: Integration and Diversity in Modern Britain) outlined proposals for a co-ordinated labour migration system driven by and responsive to labour market needs.

The competitiveness of the UK economy was at the heart of these developments. It was the subject of a DTI White Paper in 1998 (Our Competitive Future: Building the Knowledge Driven Economy) and another in 2000 (Excellence and Opportunity) in which the importance of attracting scientists and engineers to the UK was emphasised. Action already taken included making it easier for foreign students to enter the UK labour market on graduation and for foreign academics to take supplementary work and consultancies in the private sector

The economic competitiveness theme was developed by the Treasury in its pre-budget report in 1999 where it was recognised that the UK needed “to attract the most skilled and enterprising people from abroad to add to the skill pool of resident workers”. Hence, the Government was going to make it “easier for skilled foreign workers in key

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areas to come and work in the UK, where they have the skills and attitudes to help generate an enterprise economy" by extending the skill shortage list for work permit purposes, reviewing work permit arrangements and investigating ways of attracting foreign entrepreneurs and small investors to come and start businesses in the UK (HM Treasury, 1999).

In his budget speech in March 2000, the Chancellor of the Exchequer mentioned in addition the importance of making the UK an attractive location for talented overseas students. The budget also emphasised the importance of employers being able to recruit through the work permit system without any artificial limits or quotas.

At the same time, the Department for Education and Employment (DfEE) announced the results of its review of the work permit system, confirming that it would continue to be market driven and giving a specific commitment to identifying shortages in information technology, communications and electronics (ITCE). New skills criteria were set out which enabled foreign graduates at UK universities to receive work permits upon graduation. The training aspects of the Training and Work Experience Scheme were incorporated into the main scheme, enabling those completing their professional training to remain as work permit holders. Labour market testing through advertising was no longer required for permit extensions or changes of employment.

Although future problems arising from demographic ageing were mentioned, 'replacement migration' was never a serious driver behind the skilled immigration policy. However, the high levels of migration overall, including asylum seekers and family migrants, attracted substantial adverse comment from (mostly) right-wing pressure groups and media and continue to do so.

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### A3.3 The economic effects of migration in the UK

The development of a skilled migration management policy in recent years has taken place in an information vacuum. Despite the growing political interest in labour migration, there have been few systematic attempts to estimate its economic impact on the UK. There appear to be two main reasons. First, until recently Government and academics have shown little curiosity in this regard. Second, statistical data sources are extremely limited. We are thus only in the early stages of quantifying the effects of migration as a whole, let alone breaking them down according to skill categories and routes of entry. In addition, policy developments have occurred in a context of overall economic growth (albeit relatively modest) and falling unemployment. Government resolve has yet to be tested in an overall downturn, although a few clues may be found in its response to the ITCE recession of the early millennium years. This saw an initial fall in work permit applications and issues within the sector but nothing like the scale commensurate with labour oversupply in the sector.

#### Fiscal effects

The first attempt to assess the net fiscal contribution of first generation immigrants to the UK was made by Gott and Johnston (2002) for the period 1999-2000. Described by the authors as "a tentative original analysis", they estimated that migrants in the UK contributed £31.2 billion in taxes and consumed £28.8 billion in benefits and state services, a net fiscal contribution of about £2.5 billion (equivalent to around one penny on the basic rate of income tax. As a rider, they added that the figures need to be treated with caution.

The analysis was extended to take qualifications into account, in effect using educational attainment as a proxy for skills. Results suggested that migrants with higher educational qualifications had a higher probability of being employed and were less likely to claim state benefits. The relationship was complicated by the interaction of other factors that may be related to the level of education, such as English language fluency, which make it difficult to isolate the specific effects of qualifications. These results are corroborated by Shields and Wheatley-Price (1999) who found a positive relationship between qualifications and occupational success among ethnic minority males.

The Gott and Johnston study came under some criticism, notably that

- It was highly dependent on the years chosen. Their figure of a net fiscal gain of £2.5b. is meaningless unless seen in the context of the overall budgetary position. Lilley (2005:24) points out that the data refer to a year when the public finances were in surplus, so the nation as a whole and not just immigrants were paying more taxes than the cost of benefits and services they were using.
- It failed to apportion the whole cost of the immigration system to immigrants themselves. Rowthorne (2004) argued that any assessment of the fiscal

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contribution of migrants should take account of the cost of administering the immigration programme and providing for the special needs of immigrants.

- Rowthorne (Ibid) argues that the HO study fails to apportion corporation tax revenues correctly because it fails to recognise that a large proportion of this revenue comes from overseas shareholders.
- As migrants age and retire they will become net recipients (Lilley, 2005).
- It fails to account for the extra pressure on public services by immigration. While immigrants' share of expenditure on health, education and public services is an inherent part of the analysis, critics have argued that the study does not take account of such issues as congestion and competition for public services.

Sriskandarajah et al (2005) revisited the Gott and Johnston study, extending it to cover the period from 1999 to 2004, using the same basic methodology in order to achieve comparability but making certain changes to deal with some of the criticisms. Thus, they argued that:

- By extending the period of analysis the single year issue was nullified.
- That the rationale for an immigration policy is as much about furthering the interests of the existing population as it is about facilitating migrants into the country, so costs should be shared.
- Corporation tax data were adjusted in the new analysis to combat earlier criticism.
- That assessing the likely future effects is impossible in light of the lack of information on how long migrants stay.
- Congestion is an issue but is to some extent ameliorated because immigrant labour is disproportionately employed in public sector work, notably health.

The analysis of Sriskandarajah et al concludes that the contribution of immigrants to public finances is growing and is likely to continue to do so in the near future. In 1999-2000, immigrants accounted for 8.8 per cent of government tax receipts and 8.4 per cent of government spending. By 2003-4 the respective figures were 10 and 9.1 per cent. Total revenue from immigrants grew in real terms from £33.8b. in 1999-00 to £41.2b. in 2003-4, this 22 per cent increase comparing favourably with the six per cent increase for the UK-born.

Their overall conclusion was that immigrants contribute more than their share fiscally. However, the authors point out that the situation may vary when immigrants are disaggregated by skill and qualification, although no research has been carried out in this way. They and others have also pointed out that net fiscal impacts represent only part of the economic impacts of immigration and that other aspects, such as economic dynamism, labour market flexibility and capital formation should be considered - ultimately these may be more important than fiscal contributions. However, no research has been carried out.

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## Labour market effects

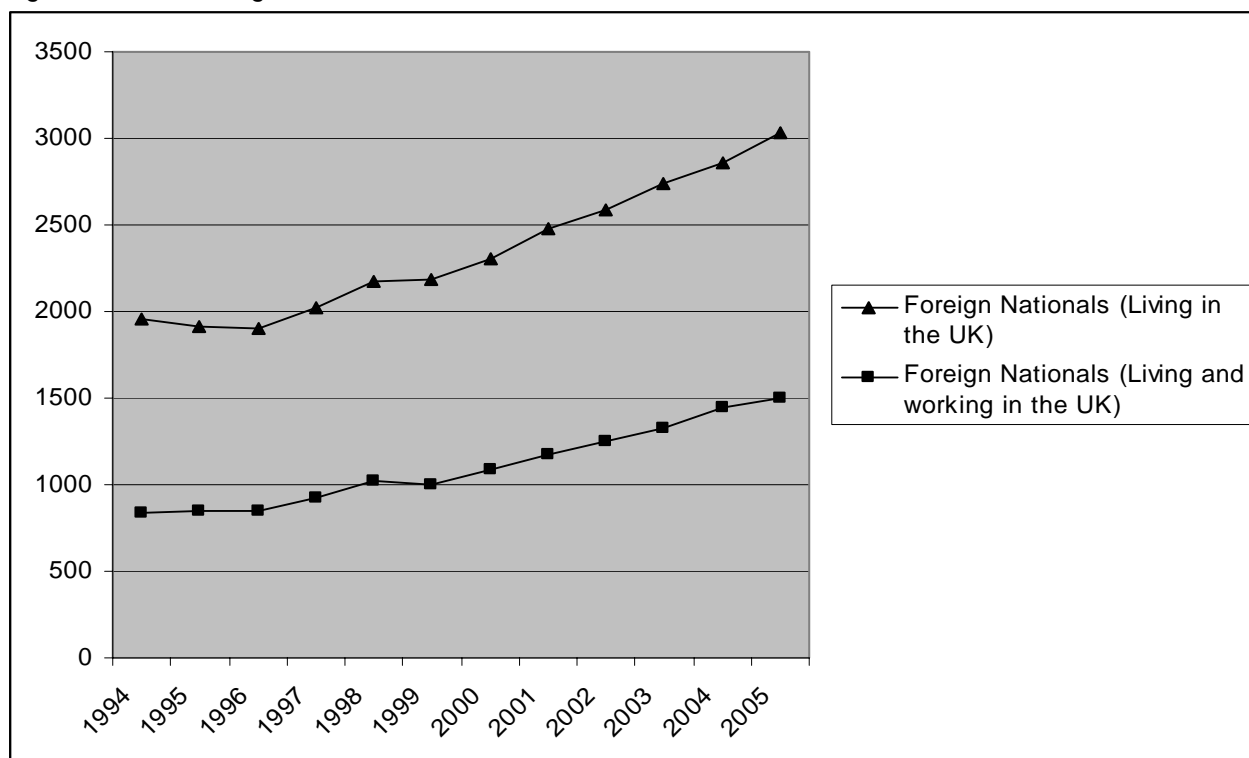
Most research on the effects of immigration on wages and the employment prospects of domestic workers find them small or absent. Most of the analysis relates to the US with a few studies of European countries (Coleman and Rowthorne, 2004). The first empirical study of the effects of immigration in the UK on local labour markets wages and employment was by Dustmann, Fabbri and Preston (2003). The authors looked at immigrants as a whole, not broken down by skill or education levels. The methodology was spatial correlation between immigrant inflows and local changes in labour market outcomes for natives. Their main finding was that "if there is an impact of immigration on employment then it is statistically poorly determined and probably small in size" and that "Higher immigration appears to be associated with higher wage growth in the currently resident population" (p4). Hence, "The perception that immigrants take away jobs from the existing population, thus contributing to large increases in unemployment, or that immigrants depress wages of existing workers, do not find confirmation in the analysis."

In a second study (2005), the same authors disaggregated the labour force by education and skill level. Results show that immigration effects are not clear cut, depending on the skill mix of the resident population and the way the economy may adjust to changes in the skill mix. They concluded that there was that little evidence of overall adverse effects of immigration on native outcomes, that there was some evidence of negative effects on employment of those with intermediate education level but that this was offset in the aggregate by positive effects on employment among the better qualified. Wage effects, based on a shorter data run, tended towards positive but were statistically poorly determined.

### A3.4 The UK and freedom of movement within the EEA

In the spring of 2005 the Labour Force Survey (LFS) recorded 3.035 million foreign nationals living in the UK, 1.504 million of whom were working. Over the last decade or so, the trend in both has been upward (Figure A3.1).

Figure A3.1: Foreign Nationals 1994-2005



Source: Labour Force Survey

The provisions for freedom of labour movement within the EEA constitute one of the main differences between the UK and Australia with respect to the acquisition of skills. Member state governments are powerless to control or select migrants within the common labour market. In fact, the proportion of total labour migration within the EEA accounted for by the nationals of fellow member states has been fairly constant over a couple of decades. The main increases and fluctuations in moves have been accounted for by non-nationals.

There is no direct count of the numbers and skills coming to the UK from other EEA countries (except for the A8 countries - see below) comparable with data from the work permit system. In 2003 the International Passenger Survey recorded 12,000 professional and managerial immigrants from European Union states and 15,000 emigrants. Small sample size prevents any more detailed occupational breakdown.

A fuller, though still partial, picture may be derived from the Labour Force Survey. In 2005, 962,000 EU/EFTA nationals lived in the UK, 487,000 of whom were working. Proportionately, this is just under a third of all foreigners in both groups. Of those working, Ireland was the main source, with 175,000, although the number has been

going down as the Irish economy has boomed. A breakdown by socio-economic class shows that EU(15) nationals were more likely to be highly skilled (Professionals, employers, managers) than citizens of either the UK or non-EU countries (Table 1).

**Table A3.1: Living and Working in the UK by SEC, 2005**

	Numbers (thousands)					Proportion of total (per cent)				
	Group A	Group B	Group C	Other	Total	Group A	Group B	Group C	Other	Total
All nationalities	11228	8833	6661	1184	27906	40.2	31.7	23.9	4.2	100.0
UK/GB	10590	8464	6253	1091	26399	40.1	32.1	23.7	4.1	100.0
Foreign nationals	636	369	408	92	1505	42.2	24.5	27.1	6.1	100.0
of which:										
Non-EU	409	243	304	71	1027	39.9	23.7	29.6	6.9	100.0
EU 15	226	126	104	21	478	47.4	26.4	21.8	4.5	100.0
EU 15 (exc. Rep. Ire.)	146	76	62	20	303	48.2	25.0	20.4	6.4	100.0
Irish Republic	80	50	42	:	175	46.0	28.8	24.1	-	100.0
France and Germany	62	22	17	:	108	57.7	19.9	15.7	-	100.0
Northern EU	37	17	11	:	68	54.5	25.1	15.6	-	100.0
Southern EU	47	37	34	:	127	36.6	29.1	27.0	-	100.0
Africa	93	49	62	28	232	40.1	21.0	26.9	12.1	100.0
Middle East	:	:	12	:	25	-	-	47.5	-	100.0
Indian Sub-Continent	59	45	57	10	171	34.6	26.5	33.1	5.9	100.0
South East Asia	52	23	21	:	105	49.5	22.2	19.6	-	100.0
Other Asia	:	:	11	:	21	-	-	51.6	-	100.0
North America	62	17	:	:	89	69.8	18.9	-	-	100.0
Caribbean/West Indies	10	10	10	:	33	31.7	30.4	30.4	-	100.0
Other Americas	:	10	18	:	48	-	21.8	37.3	-	100.0
Australia & New Zealand	62	16	10	:	90	68.8	17.9	11.2	-	100.0

Source: Labour Force Survey, Office for National Statistics

Notes:

Group A: Professional, employers, managers

Group B: Intermediate

Group C: Routine

Northern EU: Austria, Benelux, Denmark, Finland and Sweden

Southern EU: Greece, Italy, Portugal and Spain

: Less than 10,000. Row totals include relevant estimates for these cells.

Within the EU, those from northern countries were much more likely to be highly skilled than those from the south. Highly skilled workers from the EU entering the UK 2004-5 (measured on the basis of address a year ago) numbered under 10,000, a figure not inconsistent with that recorded for 2003 (the latest year for which statistics are available) in the IPS (Table 2).

Table A3.2: Living in UK now and outside UK 1 year ago, by nationality and SEG, 2005

	Absolute Figures (thousands)					Proportion of Total (per cent)				
	Group A	Group B	Group C	Other	Total	Group A	Group B	Group C	Other	Total
All nationalities	57	39	61	14	171	33.3	22.8	35.7	8.1	100.0
UK/GB	23	21	11	:	57	39.4	37.4	19.3	-	100.0
Foreign nationals	34	18	50	12	114	30.2	15.6	44.0	10.2	100.0
Non-EU Countries	26	12	44	10	92	28	13	48	11	100

Source: Labour Force Survey, Office for National Statistics

Socio-economic groups based on Standard Occupational Classification (SOC '92), defined by ONS:

Group A: Professional, employers, managers

Group B: Other non-manual

Group C: Skilled manual, semi-skilled manual, unskilled manual

Notes:

: Less than 10,000. Row totals include relevant estimates for these cells.

Figures rounded to nearest '000

In sum, the LFS suggests that the stock of highly skilled workers from the EU is just under a quarter of a million and the inflow is of the order of a few thousand per annum. Conversely, just over a quarter of a million EU nationals living and working in the UK were in intermediate and routine occupations and fewer than 10,000 in each of these categories entered in 2004-5.

Both the IPS and LFS underestimate total flows because they omit those who come and go within a year.

A fuller picture of occupational structure of those born in EU/EFTA states is available for 2000 (Dobson et al, 2001). The occupational groups with the largest numbers were managers and administrators (110,000), associate professionals (89,000) and professionals (86,000). Where sample size allowed, EU/EFTA states were calculated to have more than their 'share' (the ratio between the proportion in the occupational group compared with the proportion of the total) in only a small number of occupations: construction trades; health associate professionals; managers in transport and storing; teaching professionals; catering; and artistic and sportspeople. Low shares were in: road transport operatives; clerks; and sales assistants.

A major development in foreign labour flows to the UK in 2004 resulted from the accession of ten new states in May of that year. Unlike most of its Union partners the UK allowed citizens of the new eastern European members (the A8 group) immediate access

to its labour market. All they had to do was register and pay a small fee (£50). By June 2005 there had been 180,000 registrations (around 40,000 registrants were already in the UK at the time of accession). It is thought a large proportion of these have stayed only temporarily, although there are no statistics. Their occupational structure is quite different from that of work permit holders (Table A3.3). For the most part, the new member nationals are not entering highly skilled occupations, which remain in the domain of the work permit system. In total, it appears that over the last year or so the WRS has brought in more foreigners to work in lower skilled jobs (although the workers themselves may have been highly qualified) than the work permit system has done for the higher skilled.

**Table A3.3: Occupational Breakdown (percentage), Worker Registration Scheme 2004-2005 and Work Permits 2003-2004**

Occupations	WRS	WPs
Managers and Administrators	3.3	13.0
Professionals	1.3	21.8
Associate Professionals	1.0	54.6
Clerical	1.3	0.1
Craft	3.7	0.2
Personal and Protective	12.9	6.9
Sales	3.3	0.0
Plant and Machinery Operatives	36.1	0.3
Other	31.2	3.2
Unknown	4.1	0.0

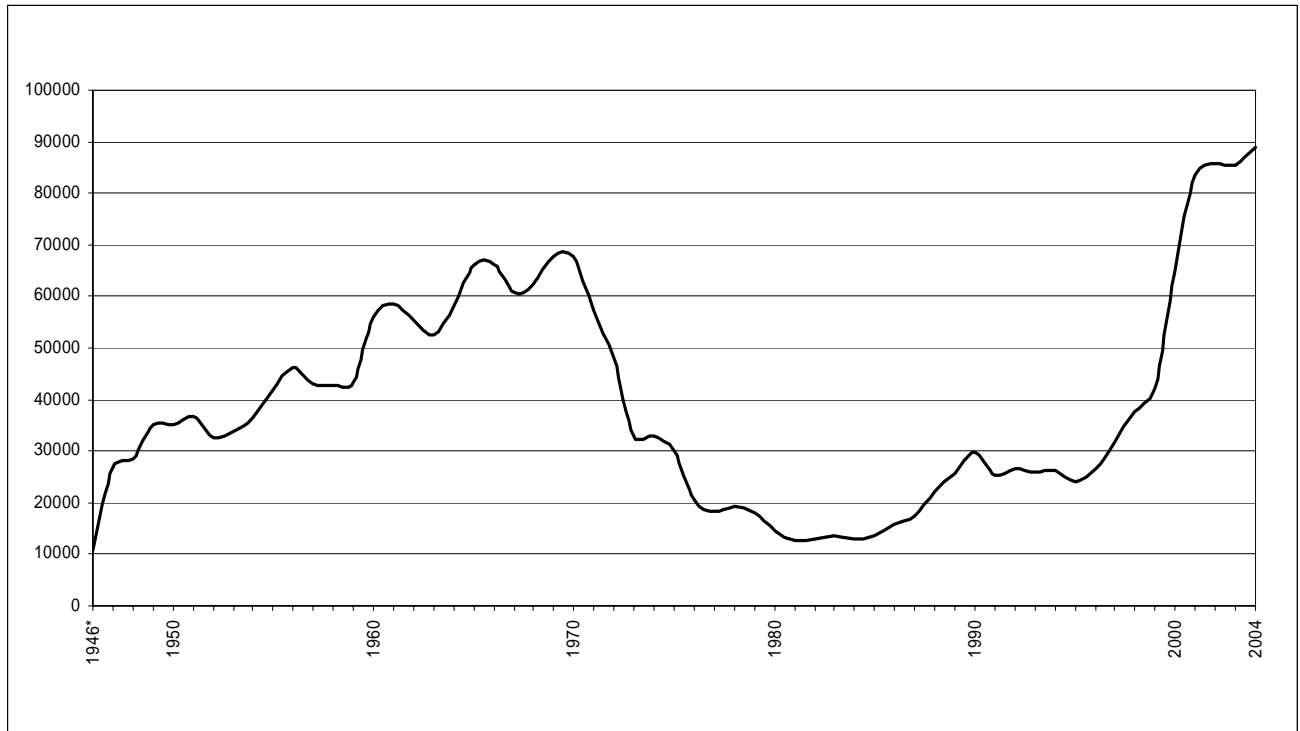
Source: Work Permits, UK; Accession Monitoring report

### A3.5 The work permit system

The main mechanism for managing labour immigration to the UK is the Work Permits system. This UK-based employer-sponsored route applies only to citizens from outside the European Economic Area. Restrictions on foreigners seeking work in the UK were first introduced during the First World War. In 1919-20 a system of work permits was brought in which laid down conditions to regulate the employment of foreigners. To obtain permits, employers had to show that the proposed employment of a foreigner was reasonable and necessary, that the proposed employee had the skills and experience necessary to do the job, that adequate efforts had been made to find indigenous labour and that wages and conditions were not less favourable than those accorded to British employees for similar work. These conditions have remained extant to the present.

The story of work permit issues between the Second World War and the present has been something of a roller-coaster (Figure A3.2). Until the late 1960s there was a fluctuating upward trend. Most work permits went to unskilled and semi-skilled workers: during the 1950s the largest category was domestic service, 44 per cent of the total in 1955. The introduction of a voucher scheme in the 1960s heralded a change in the flow of work permits. There followed a prolonged period of decline in work permit issues to around 15,000 in the early 1980s. From the middle 1980s issues began to rise significantly, reaching 30,000 in 1990. From the late 1990s, there was a sharp increase, reaching 85,000 in 2004.

**Figure A3.2: Number of Work Permits and First Permission issued, 1946-2004**



Source: Department of Employment (1977), Overseas Labour Service/Work Permits (UK)

Notes: \* 31 March - 31 December only.

In the late 1990s, growing international competition for skills, particularly from North America, Australasia and elsewhere in Europe, led to further consideration of the competitiveness of the UK economy. It was felt that the work permits system should be more flexible in order to respond to the changing demands of the labour market. In light of this, an internal review in 2000 resulted in the implementation of a simpler, more transparent, more cost efficient system which was more responsive to employers' needs and requirements. Changes included a simplified list of details required from applicants, electronic applications, greater flexibility in the level education or experience required and the incorporation of key workers into the main scheme. A major consequence of this was that the turnaround time for applications became a matter of days rather than weeks, thus giving the UK a competitive edge over other countries in this regard.

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## Management and Administration of the Work Permit System

The employment of people who are subject to immigration control is regulated by the granting of work permits by Work Permits (UK), formerly the Overseas Labour Service within the Department of Employment/DfES. After the 2001 election, WP(UK) was transferred to the Home Office, a move designed to integrate the work permits system more closely with other migration systems such as immigration control.

The Shortage Occupation List was introduced in 1991, alongside the new two-tier system. Tier 1 covered intra-company transfers, shortage occupations and those connected with incoming investment and did not require domestic labour market testing by employers. It did, however, require employers to attest to the same principles of non-displacement and additionality that pertain to the other Tier of entry. Tier 2 covered all other occupations, usually at NVQ3 educational level and above. The Shortage Occupation List was criticised for its slow response to changes in demand, especially in technology-driven sectors. In an effort to improve the situation the new government introduced Sector Skills Advisory Panels to review shortages on an ongoing (quarterly) basis. These Panels included representatives of employers, professional bodies, intermediaries (such as recruitment agencies) trades unions and government. The task of these Panels is to review the labour market conditions in their respective economic sectors and to monitor the degree and nature of skill shortages and make appropriate recommendations: for example, to add a particular occupation to the published shortage list or to remove it. Currently, there are six panels covering Health, ITCE, engineering, education, finance and hospitality. In September 2002, driven by falling employment among IT professionals, layoffs and slack demand, the ITCE panel recommended the removal of all IT-related occupations from the shortage list, although the expected sharp drop in work permit issues in the sector did not materialise (see below, section 5.3).

A number of different work permits are available:

- Business and Commercial Work Permit to allow employers in the UK to recruit people from outside the EEA to fill a vacancy that might otherwise be filled by a resident worker.
- Training and Work Experience Scheme to enable people from outside the EEA to undertake work-based training for a professional or specialist qualification, or a period of work experience.
- Sports and Entertainments arrangements which allow employers in the UK to employ established sportspeople, entertainers, cultural artists and some technical/support people from outside the EEA.
- Student Internship arrangements which allow students from outside the EEA studying first or higher degree courses overseas to undertake an internship with an employer in this country.
- General Agreement on Trade in Services (GATS) which allows employees of companies based outside the EU to work in the UK on a service contract awarded to their employer by a UK-based organisation. This is an exceptional arrangement to meet rules made under the General Agreement on Trade in Services.

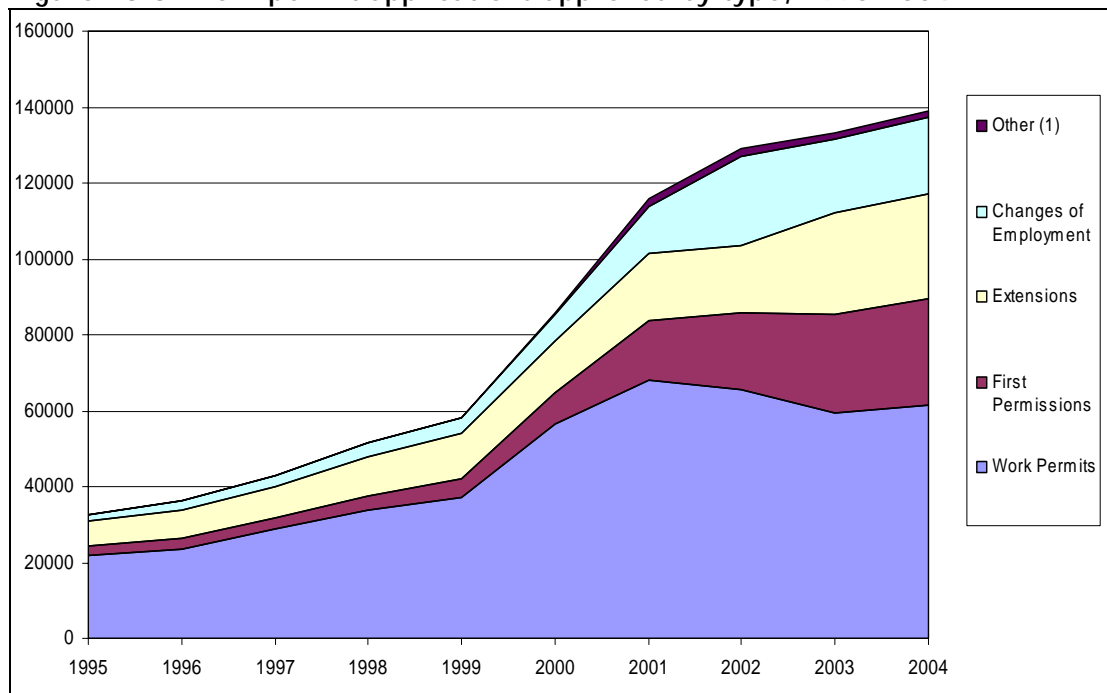
Work permits can be issued initially for up to five years and those admitted in this category may qualify for settlement after four years. Criteria for the issue of a work permit include a skills requirement and a requirement that the employer has made a genuine attempt to fill the vacancy from the resident workforce. There are distinct provisions within the work permit arrangements for sportspersons and entertainers, intra-company transfers and those coming for training and work experience. Work permit holders seeking admission for more than six months require entry clearance which is obtained after the granting of a work permit.

There are four basic categories of work permit:

- *Work permit.* This is granted to an employer when the foreign worker is residing outside the UK.
- *First permission.* This is granted to an employer when the foreign worker is already residing in the UK.
- *Extension.* This is granted to an employer who wishes to extend the period of employment of a foreign worker.
- *Change of employment.* This is granted to an employer who wishes to employ a foreign worker for whom there is already a work permit with another employer (most cases) or where the existing employer wishes the foreign worker for whom it already has a permit to engage in a different occupation (few cases).

Trends in each of these over the last decade are shown in Figure A3.3. Broadly speaking, work permit numbers have gone down since 2001 while those for the other categories have increased.

**Figure A3.3: Work permit applications approved by type, 1995-2004**



Source: Work Permits (UK)

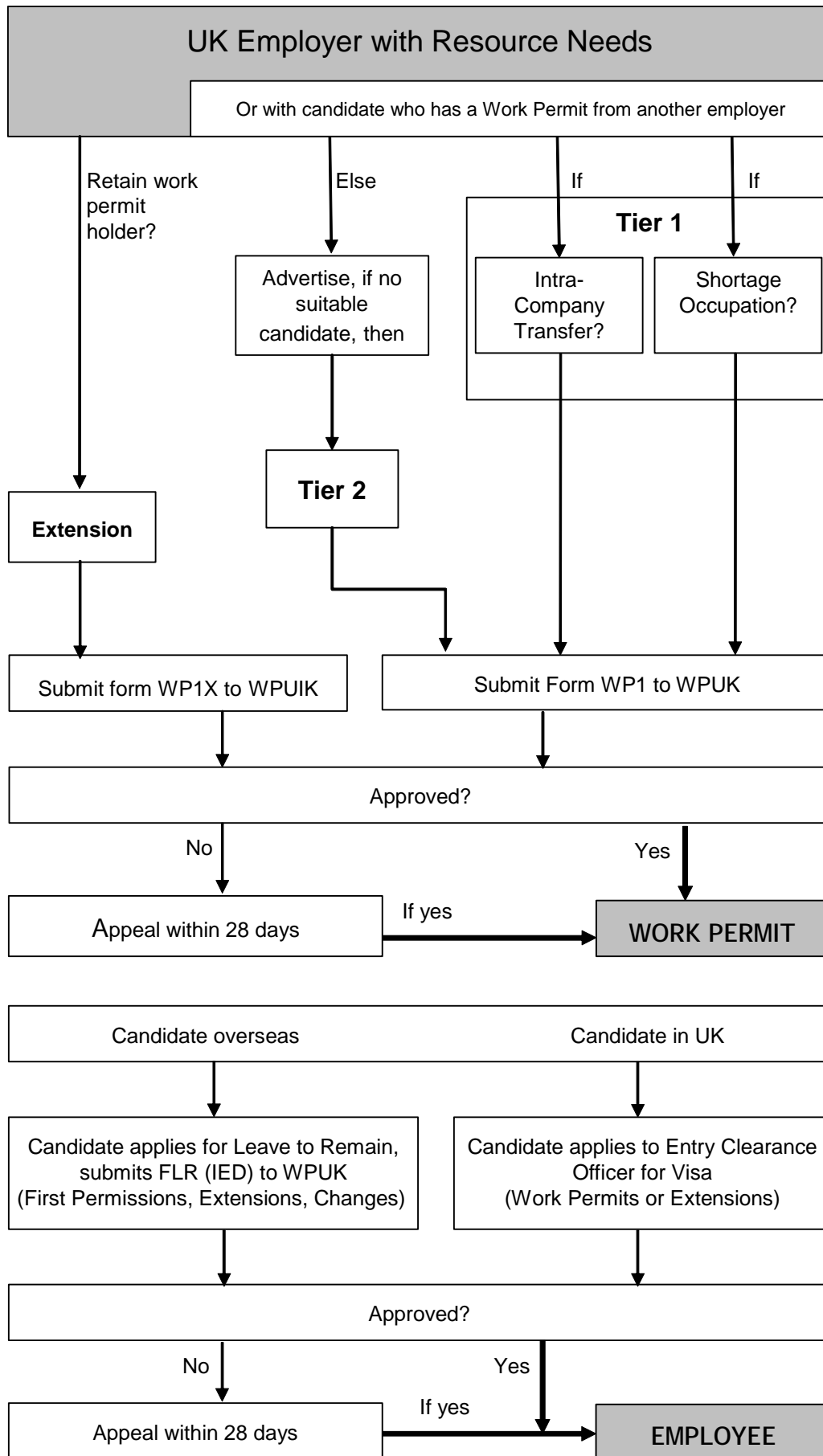
Notes: 1. Includes "Supplementary Employment", "Self Certification" and "In Country Technical Change".

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The process for obtaining a work permit is summarised in Figure A3.4. In essence, there is a two-stage process, with the employer first obtaining the permit and then the candidate receiving permission to enter/stay in the country. An employer with a shortage occupation vacancy or one that wants to fill a post from its overseas branch may go directly through Tier 1, submitting Form WP1 to Work Permits UK. If approved, a work permit is issued. If the occupation is one in Tier 2, and no suitable domestic or other EEA candidate can be found, an application is made using Form WP1. Either Tier 1 or Tier 2 may be used for a change of employment, where the candidate already has a work permit from another employer. If the application is for an extension, form WP1X is submitted. If any application is refused, an appeal may be made within 28 days. If the candidate is in the UK, (s)he then applies for Leave to Remain, submitting Form FLR (IED) to WPUK. If the candidate is overseas (s)he applies to an Entry Clearance Officer for a visa. Once approved, the candidate is free to take up the employment.

The work permit system is fairly narrowly focused by industry, occupation and nationality.

Figure A3.4:





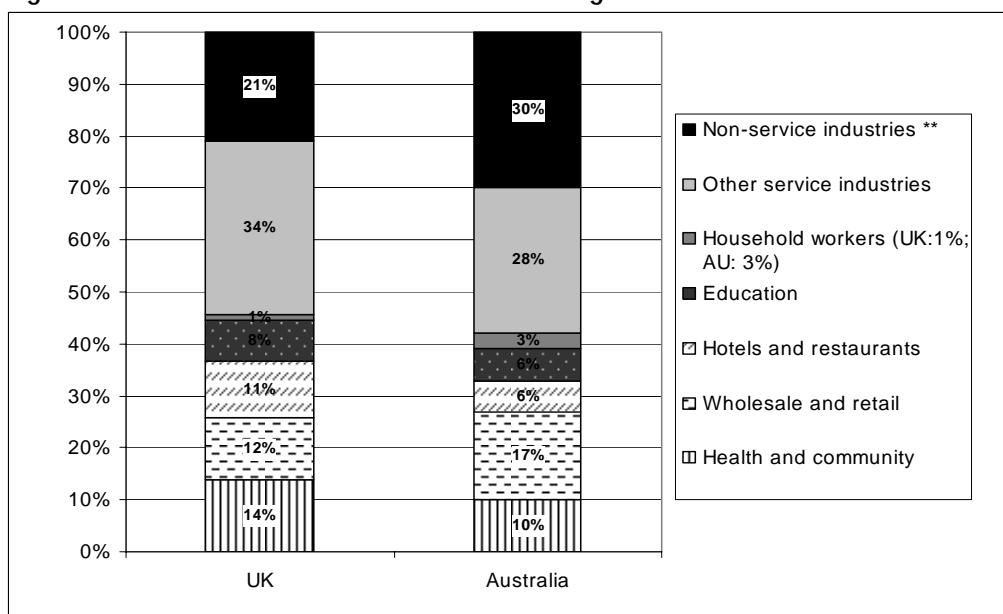
## Work permits and first permissions by Industry

Table A3.4 shows a breakdown of work permits and first permissions for the UK by industry group for 2004. Amongst the categories of applications, work permits and first permissions are of particular interest as they are sought for foreign workers newly entering the labour market and they can be used as an indicator of international labour migration<sup>51</sup>. The top five industry groups were: Health and medical services (29.8 per cent); Computer services (15.7 per cent); Administration, business and managerial services (10.9 per cent); Hospitality and catering (10.1 per cent); Education and cultural activities (6.9 per cent).

This is quite a different picture from that of 1995: Administration, business and managerial services (16.7 per cent); Financial services (13.2 per cent); Entertainment and leisure services (12.1 per cent); Retail and related services (11.7 per cent); and Manufacturing (8.2 per cent). There has been a shift from the traditional domination of commercial-oriented services to the Health and ITCE sectors. For the most part, this is a response to the skills shortages in the UK over the last few years. Trends in individual industries have varied. Administration, business and managerial services has experienced a continuous decline in its proportion of the total, as has Financial services. On the other hand, Health and medical services has grown strongly and by 2004 was heading towards a third of all issues. Two-thirds of all issues in 2004 were in the top four sectors. Thus, the work permit programme is highly sector specific.

In the absence of similar data for Australia, Figure A3.5 presents a broad comparison of the industrial distribution of the foreign-born population of the two countries for 2001-02. It shows that in both cases service industries predominate, with a broadly similar distribution across the different types of service industry. Non-service industry employment of foreign-born is more prevalent in Australia.

Figure A3.5: Industrial distribution of foreign workers in UK and Australia



Source: Home Office 2005

<sup>51</sup> Although this is limited to non-EEA labour migrants as EEA nationals do not require a work permit and so their movements are not captured in the data.

Table A3.4: Work Permits and First Permissions approved by Industry for 1995 and 2000 - 2004

<b>Absolute figures</b>	<b>1995</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Administration, business and management services	4,041	9,026	10,132	11,209	9,638	9,698
Agriculture activities	952	267	748	954	822	463
Computer services	1,827	12,726	15,875	12,453	10,386	14,008
Construction and land services	182	751	1,515	2,108	1,663	1,467
Education and cultural activities	1,901	3,832	8,003	8,142	6,603	6,187
Entertainment and leisure services	2,919	4,235	4,725	4,471	4,469	4,304
Extraction industries	424	1,044	1,223	1,024	741	952
Financial services	3,194	6,997	7,026	5,019	4,549	5,775
Government	46	228	552	570	700	770
Health and medical services	1,774	14,516	20,592	22,271	24,621	26,568
Hospitality, hotels, catering and other services	320	1,751	4,659	10,087	12,116	9,028
Law related services	258	881	1,170	833	781	811
Manufacturing	1,987	2,747	3,222	3,070	2,779	2,930
Real estate and property services	5	94	147	194	211	212
Retail and related services	2,826	927	874	1,265	1,487	1,447
Security and protective services	2	58	84	78	127	78
Sporting activities	544	989	1,267	1,585	1,582	1,891
Telecommunications	458	2,228	1,621	1,660	1,071	969
Transport	333	780	1,207	1,005	1,005	1,113
Utilities: gas, electricity, water	168	498	502	624	435	502
<b>Total</b>	<b>24,161</b>	<b>64,575</b>	<b>85,144</b>	<b>88,622</b>	<b>85,786</b>	<b>89,173</b>
<b>Per cent</b>	<b>1995</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Administration, business and management services	16.7	14.0	11.9	12.6	11.2	10.9
Agriculture activities	3.9	0.4	0.9	1.1	1.0	0.5
Computer services	7.6	19.7	18.6	14.1	12.1	15.7
Construction and land services	0.8	1.2	1.8	2.4	1.9	1.6
Education and cultural activities	7.9	5.9	9.4	9.2	7.7	6.9
Entertainment and leisure services	12.1	6.6	5.5	5.0	5.2	4.8
Extraction industries	1.8	1.6	1.4	1.2	0.9	1.1
Financial services	13.2	10.8	8.3	5.7	5.3	6.5
Government	0.2	0.4	0.6	0.6	0.8	0.9
Health and medical services	7.3	22.5	24.2	25.1	28.7	29.8
Hospitality, hotels, catering and other services	1.3	2.7	5.5	11.4	14.1	10.1
Law related services	1.1	1.4	1.4	0.9	0.9	0.9
Manufacturing	8.2	4.3	3.8	3.5	3.2	3.3
Real estate and property services	0.0	0.1	0.2	0.2	0.2	0.2
Retail and related services	11.7	1.4	1.0	1.4	1.7	1.6
Security and protective services	0.0	0.1	0.1	0.1	0.1	0.1
Sporting activities	2.3	1.5	1.5	1.8	1.8	2.1
Telecommunications	1.9	3.5	1.9	1.9	1.2	1.1
Transport	1.4	1.2	1.4	1.1	1.2	1.2
Utilities: gas, electricity, water	0.7	0.8	0.6	0.7	0.5	0.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Overseas Labour Service / Work Permits (UK)

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## Work permits and first permissions by occupation

In the UK, three occupational categories only, Associate professional and technical (56 per cent), Professional (21.5 per cent) and Managers and administrators (13.2 per cent), account for the bulk of work permits issued (TableA3. 5). At a more detailed level, the two main occupational groups are health workers who account for 36.3 per cent of the total and ICT (computer) staff (11.1 per cent). The rationale behind these two is very different. The first group are responding to labour shortages, mainly in the NHS, caused by the substantial government investment in health since 1997. It is seldom remarked that such a high proportion of work permits is issued by one government department (Home Office) to employers whose funding is largely derived from another (Department of Health). The number of work permits to ITCE staff grew substantially in the late 1990s in response to actual and anticipated skill shortages but failed to decline commensurately with oversupply in the new millennium. In fact, it appears that work permit issues to ICT staff are now more a reflection of changes to business models and patterns of working in the sector, especially in the form of client-based intra-company transfers, than skill shortages per se.

A significant shift in work permit issues in recent years has been the relative growth in numbers of permits issued to foreign workers already in the country (first permissions, change and extensions) compared with those living abroad (work permits). The latter accounted for only 44.7 per cent of issues in 2004. The relative importance of the four categories varies according to occupation. For example, only 15 per cent of health professionals (mainly doctors) were outside the UK when their permits were issued, compared with 58.8 per cent of computer analysts and programmers.

A number of observations may be made on the basis of these statistics on work permit issues. Over the last decade there have been some fundamental shifts in the nationalities receiving permits, with the notable rise of India (ITCE and nurses) and the Philippines (nurses). The sectoral emphasis has also shifted in response to skill shortages. A relatively narrow range of occupations now dominates the system, with the health sector pre-eminent. Finally, the system is now one which turns foreigners already living in the country, perhaps as visitors or with a work permit already, into permitted foreign workers rather than one bringing in labour currently living abroad.

A major component in skilled immigration in both countries continues to be in the ICT sector. Three recent studies, Kinnaird (2005) for Australia and Millar (2003) and Dench and Millar (2005), together with our own research for the UK, allow some comparison of the experiences of the two countries. Kinnaird found both the GSM programme and the 457 visa programme contributed to an excess supply of computer professionals, resulting in higher unemployment and underemployment particularly among new ICT graduates. The study also concluded that available evidence on the 457 programme suggested that a significant number of immigrant workers were paid below market rates, especially in the under 30 age group. Although less forthright, the evidence for the UK is similar. The work permit system has not responded closely to prevailing labour market conditions and survey evidence indicates that companies prefer to use overseas labour which is highly mobile and may be purchased at bargain prices. For both countries, one implication is that the situation may lead to a reduction in firms' incentives to create talent pipelines.



Table A3.5: Main types of permits approved by occupation, excluding groups and SBS applications, 1 January - 31 December 2004 (1)

Occupation	numbers					proportion of all occupations					proportion of all occupations				
	total	c_emp	ic_ext	fp	wp	total	c_emp	ic_ext	fp	wp	total	c_emp	ic_ext	fp	wp
All occupations	137314	20376	27547	28075	61316	100.0	14.8	20.1	20.4	44.7	100.0	100.0	100.0	100.0	100.0
Managers and administrators	18067	1411	2917	3486	10253	100.0	7.8	16.1	19.3	56.7	13.2	6.9	10.6	12.4	16.7
General managers and administrators in national and local government, large companies and organisations	378	18	89	83	188	100.0	4.8	23.5	22.0	49.7	0.3	0.1	0.3	0.3	0.3
Specialist managers	1642	166	334	386	756	100.0	10.1	20.3	23.5	46.0	1.2	0.8	1.2	1.4	1.2
Financial institution and office managers, Civil Service executive officers	19	4	6	0	9	100.0	21.1	31.6	0.0	47.4	0.0	0.0	0.0	0.0	0.0
Managers in farming, horticulture, forestry and fishing	15	0	1	2	12	100.0	0.0	6.7	13.3	80.0	0.0	0.0	0.0	0.0	0.0
Managers and proprietors in service industries	714	131	45	284	254	100.0	18.3	6.3	39.8	35.6	0.5	0.6	0.2	1.0	0.4
Managers and administrators nec	15299	1092	2442	2731	9034	100.0	7.1	16.0	17.9	59.0	11.1	5.4	8.9	9.7	14.7
Professional occupations	29492	3675	7009	7067	11741	100.0	12.5	23.8	24.0	39.8	21.5	18.0	25.4	25.2	19.1
Natural scientists	163	14	48	38	63	100.0	8.6	29.4	23.3	38.7	0.1	0.1	0.2	0.1	0.1
Engineers and technologists	12243	813	3079	1158	7193	100.0	6.6	25.1	9.5	58.8	8.9	4.0	11.2	4.1	11.7
Health professionals	5742	947	1361	2574	860	100.0	16.5	23.7	44.8	15.0	4.2	4.6	4.9	9.2	1.4
Teaching professionals	7366	1220	1901	2108	2137	100.0	16.6	25.8	28.6	29.0	5.4	6.0	6.9	7.5	3.5
Legal professionals	600	70	75	94	361	100.0	11.7	12.5	15.7	60.2	0.4	0.3	0.3	0.3	0.6
Business and financial professionals	2273	355	391	700	827	100.0	15.6	17.2	30.8	36.4	1.7	1.7	1.4	2.5	1.3
Architects, town planners and surveyors	868	222	116	310	220	100.0	25.6	13.4	35.7	25.3	0.6	1.1	0.4	1.1	0.4
Professional occupations nec	237	34	38	85	80	100.0	14.3	16.0	35.9	33.8	0.2	0.2	0.1	0.3	0.1
Associate professional and technical occupations	76895	13303	16376	14843	32373	100.0	17.3	21.3	19.3	42.1	56.0	65.3	59.4	52.9	52.8
Scientific technicians	77	18	17	27	15	100.0	23.4	22.1	35.1	19.5	0.1	0.1	0.1	0.1	0.0
Computer analysts/programmers	15205	1139	3984	1239	8843	100.0	7.5	26.2	8.1	58.2	11.1	5.6	14.5	4.4	14.4
Ship and aircraft officers, air traffic planners and controllers	34	0	7	4	23	100.0	0.0	20.6	11.8	67.6	0.0	0.0	0.0	0.0	0.0
Health associate professionals	44044	10809	9473	11065	12697	100.0	24.5	21.5	25.1	28.8	32.1	53.0	34.4	39.4	20.7
Legal associate professionals	661	54	91	102	414	100.0	8.2	13.8	15.4	62.6	0.5	0.3	0.3	0.4	0.7
Business and financial associate professionals	5151	492	589	853	3217	100.0	9.6	11.4	16.6	62.5	3.8	2.4	2.1	3.0	5.2
Social welfare associate professionals	1042	187	60	260	535	100.0	17.9	5.8	25.0	51.3	0.8	0.9	0.2	0.9	0.9
Literary, artistic and sports professionals	6393	213	530	398	5252	100.0	3.3	8.3	6.2	82.2	4.7	1.0	1.9	1.4	8.6
Associate professional and technical occupations	4288	391	1625	895	1377	100.0	9.1	37.9	20.9	32.1	3.1	1.9	5.9	3.2	2.2
Clerical and secretarial occupations	109	6	17	25	61	100.0	5.5	15.6	22.9	56.0	0.1	0.0	0.1	0.1	0.1
Secretaries, personal assistants, typists, word processor operators	68	3	10	12	43	100.0	4.4	14.7	17.6	63.2	0.0	0.0	0.0	0.0	0.1
Receptionists, telephonists and related occupations	41	3	7	13	18	100.0	7.3	17.1	31.7	43.9	0.0	0.0	0.0	0.0	0.0
Craft and related occupations	223	3	64	30	126	100.0	1.3	28.7	13.5	56.5	0.2	0.0	0.2	0.1	0.2
Construction trades	1	0	0	0	1	100.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0
Metal forming, welding and related trades	3	0	0	2	1	100.0	0.0	0.0	66.7	33.3	0.0	0.0	0.0	0.0	0.0
Other craft and related occupations	219	3	64	28	124	100.0	1.4	29.2	12.8	56.6	0.2	0.0	0.2	0.1	0.2
Personal and protective service occupations	8559	1682	748	1956	4173	100.0	19.7	8.7	22.9	48.8	6.2	8.3	2.7	7.0	6.8
Catering occupations	8559	1682	748	1956	4173	100.0	19.7	8.7	22.9	48.8	6.2	8.3	2.7	7.0	6.8
Sales occupations	0	0	0	0	0	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0
Plant and machine operatives	401	25	57	65	254	100.0	6.2	14.2	16.2	63.3	0.3	0.1	0.2	0.2	0.4
Other transport and machinery operatives	401	25	57	65	254	100.0	6.2	14.2	16.2	63.3	0.3	0.1	0.2	0.2	0.4
Other occupations	3568	271	359	603	2335	100.0	7.6	10.1	16.9	65.4	2.6	1.3	1.3	2.1	3.8
Other occupations in agriculture, forestry and fishing	1174	57	140	56	921	100.0	4.9	11.9	4.8	78.4	0.9	0.3	0.5	0.2	1.5
Other occupations in construction	605	53	113	146	293	100.0	8.8	18.7	24.1	48.4	0.4	0.3	0.4	0.5	0.5
Other occupations in sales and services	1789	161	106	401	1121	100.0	9.0	5.9	22.4	62.7	1.3	0.8	0.4	1.4	1.8

Source: Work Permits Data



**TableA3.6: Occupation of the UK work permits approvals and Australian GSM and 457 applicants.**

Occupation	UK/WP (1)		GSM (2)		457 (3)	
	numbers total	proportion total	numbers total	proportion total	numbers total	proportion total
All occupations	137314	100.0	32659	100.0	14672	100.0
Managers and administrators	18067	13.2	2860	8.8	3318	22.6
General managers and administrators in national and local government, large companies and organisations	378	0.3	163	0.5	455	3.1
Production managers in manufacturing, construction, mining and energy industries.	0	0.0	28	0.1	133	0.9
Specialist managers	1642	1.2	1766	5.4	1322	9.0
Financial institution and office managers, Civil Service executive officers	19	0.0	385	1.2	16	0.1
Managers in transport and storing	0	0.0	0	0.0	4	0.0
Protective service officers	0	0.0	3	0.0	4	0.0
Managers in farming, horticulture, forestry and fishing	15	0.0	8	0.0	25	0.2
Managers and proprietors in service industries	714	0.5	141	0.4	231	1.6
Managers and administrators nec	15299	11.1	366	1.1	1128	7.7
Professional occupations	29492	21.5	12989	39.8	4032	27.5
Natural scientists	163	0.1	570	1.7	455	3.1
Engineers and technologists	12243	8.9	2314	7.1	1191	8.1
Health professionals	5742	4.2	491	1.5	150	1.0
Teaching professionals	7366	5.4	787	2.4	393	2.7
Legal professionals	600	0.4	106	0.3	77	0.5
Business and financial professionals	2273	1.7	8130	24.9	1584	10.8
Architects, town planners and surveyors	868	0.6	418	1.3	103	0.7
Librarians and related professionals	0	0.0	16	0.0	1	0.0
Professional occupations nec	237	0.2	157	0.5	78	0.5
Associate professional and technical occupations	76895	56.0	11590	35.5	4616	31.5
Scientific technicians	77	0.1	1551	4.7	534	3.6
Draughtspersons, quantity and other surveyors	0	0.0	112	0.3	31	0.2
Computer analysts/programmers	15205	11.1	7602	23.3	1536	10.5
Ship and aircraft officers, air traffic planners and controllers	34	0.0	75	0.2	65	0.4
Health associate professionals	44044	32.1	1571	4.8	1493	10.2
Legal associate professionals	661	0.5	0	0.0	0	0.0
Business and financial associate professionals	5151	3.8	189	0.6	467	3.2
Social welfare associate professionals	1042	0.8	82	0.3	14	0.1
Literary, artistic and sports professionals	6393	4.7	333	1.0	385	2.6
Associate professional and technical occupations	4288	3.1	75	0.2	91	0.6
Clerical and secretarial occupations	109	0.1	154	0.5	35	0.2
Administrative/clerical officers and assistants in Civil Service and local government	0	0.0	1	0.0	0	0.0
Numerical clerks and cashiers	0	0.0	4	0.0	1	0.0
Clerks (not otherwise specified)	0	0.0	1	0.0	12	0.1
Secretaries, personal assistants, typists, word processor operators	68	0.0	2	0.0	2	0.0
Receptionists, telephonists and related occupations	41	0.0	145	0.4	20	0.1
Clerical and secretarial occupations nec	0	0.0	1	0.0	0	0.0
Craft and related occupations	223	0.2	2784	8.5	1061	7.2
Construction trades	1	0.0	267	0.8	98	0.7
Metal machining, fitting and instrument making trades	0	0.0	695	2.1	261	1.8
Electrical/electronic trades	0	0.0	339	1.0	74	0.5
Metal forming, welding and related trades	3	0.0	189	0.6	136	0.9
Vehicle trades	0	0.0	343	1.1	125	0.9
Textiles, garments and related trades	0	0.0	62	0.2	13	0.1
Printing and related trades	0	0.0	73	0.2	7	0.0
Woodworking trades	0	0.0	262	0.8	93	0.6
Food preparation trades	0	0.0	86	0.3	142	1.0
Other craft and related occupations	219	0.2	468	1.4	112	0.8
Personal and protective service occupations	8559	6.2	1247	3.8	852	5.8
Security and protective service occupations	0	0.0	3	0.0	5	0.0
Catering occupations	8559	6.2	742	2.3	747	5.1
Travel attendants and related occupations	0	0.0	0	0.0	18	0.1
Health and related occupations	0	0.0	8	0.0	7	0.0
Childcare and related occupations	0	0.0	25	0.1	8	0.1
Hairdressers, beauticians and related occupations	0	0.0	469	1.4	66	0.4
Personal and protective service occupations nec	0	0.0	0	0.0	1	0.0

TableA3.6: Continued

Sales occupations	0	0.0	171	0.5	275	1.9
Buyers, brokers and related agents	0	0.0	1	0.0	46	0.3
Sales representatives	0	0.0	163	0.5	189	1.3
Sales assistants and checkout operators	0	0.0	0	0.0	4	0.0
Mobile, market and door-to-door salespersons and agents	0	0.0	7	0.0	12	0.1
Sales Occupations nec	0	0.0	0	0.0	24	0.2
Plant and machine operatives	401	0.3	41	0.1	143	1.0
Chemicals, paper, plastics and related process operatives	0	0.0	0	0.0	16	0.1
Metal making and treating process operatives	0	0.0	8	0.0	12	0.1
Metal working process operatives	0	0.0	6	0.0	2	0.0
Other routine process operatives	0	0.0	0	0.0	1	0.0
Road transport operatives	0	0.0	0	0.0	6	0.0
Other transport and machinery operatives	401	0.3	6	0.0	9	0.1
Plant and machine operatives nec	0	0.0	21	0.1	97	0.7
Other occupations	3568	2.6	48	0.1	189	1.3
Other occupations in agriculture, forestry and fishing	1174	0.9	8	0.0	41	0.3
Other occupations in mining and manufacturing	0	0.0	0	0.0	9	0.1
Other occupations in construction	605	0.4	4	0.0	25	0.2
Other occupations in sales and services	1789	1.3	0	0.0	41	0.3
Other occupations nec	0	0.0	36	0.1	73	0.5
Occupation Unknown	0	0.0	775	2.4	151	1.0

Source: Work Permits (UK)

Notes:

1. Data from year 2004.
2. Data from program year 2004-2005.
3. Data from 2004 - first half 2005.

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## Comparison of UK and Australian migrant occupations

There are difficulties in making such comparisons because the two countries use different occupational categories and also because the entry schemes are different. In order to produce Table 6 the occupations of migrants to Australia in the GSM and 457 Visa schemes have been coded according to the UK SOC90 classification.

In broad terms the distributions are similar, with Associate professionals, Professionals and Managers and administrators being the largest groups. However, both Australian schemes are more likely to accept those in craft and related occupations than the UK work permit system. Given that the UK work permit system is designed to bring in workers temporarily, its outcome might be expected to be similar to that of the Australian 457 scheme. In fact, this does not for the most part appear to be the case, the UK pattern having similarities with elements of both Australian schemes in respect of the proportional distributions. Overall, the main difference between the UK and Australian distributions relates to Health associate professionals, which account for a third of work permits, a tenth of 457 visas and only one in twenty GSM entrants. Computer analysts and programmers are of the same relative importance among UK work permit holders and Australian 457 visas, both considerably less important than among GSM applicants. This pattern among temporary entrants is consistent with current patterns of working and mobility in the sector. The relative importance of Managers and administrators in the UK bears a closer relationship to the GSM than to 457 visas. However, there are difficulties in a more detailed comparative breakdown among this group because of the high proportion in the UK in the category 'Managers and administrators not elsewhere classified'.

## The Highly Skilled Migrant Programme (HSMP)

This was launched in January 2002 as a new initiative to allow individuals with exceptional personal skills and experience to come to the UK to seek and take work or self-employment. The initial period of residence is one year, with the expectation of permission to remain for a further three years, after which settlement may be granted. Successful applicants may bring their families with them.

It is established on a points basis. Following criticism that it did not attract the skills the UK needed (it was sometimes referred to as the Highly Paid Bankers Scheme: Rollason, 2004) the scheme was revised in January 2003 with the allocation of points amended, notably by increasing the points available for those with work experience and revising the earnings thresholds for those from the poorest countries. Overall, the scheme rewards those with significant past earnings and work experience and while not involving a labour market test, the applicant is required to demonstrate reasonable prospects of securing work or establishing a business in the UK.

The HSMP breaks new ground in economic immigration by non-EEA nationals. Unlike the main work permit scheme, no prior offer of employment is necessary, permission being granted to the individual worker and not tied to a post offered by an employer. Furthermore, for the first time, a UK scheme uses a point score system similar to that in Australia. To make a successful application, individuals need to demonstrate that they will be able to continue their chosen career in the UK and also provide evidence that they score 75 points or more in five areas in addition to age: educational qualifications; work experience; past earnings; achievement in the chosen field and husband's, wife's or unmarried partner's achievements; HSMP priority applications (at the moment this is only available to qualified GPs). There is a mandatory entry clearance requirement for this route i.e. an application cannot be made on arrival in the UK, although in certain circumstances an application can be made from within the UK.

Comparison with the Australian allocation (Table A3.7) shows some overlaps in attributes, although generally the GSM includes a wider range.

**TableA3.7: UK and Australia: Points Allocations**

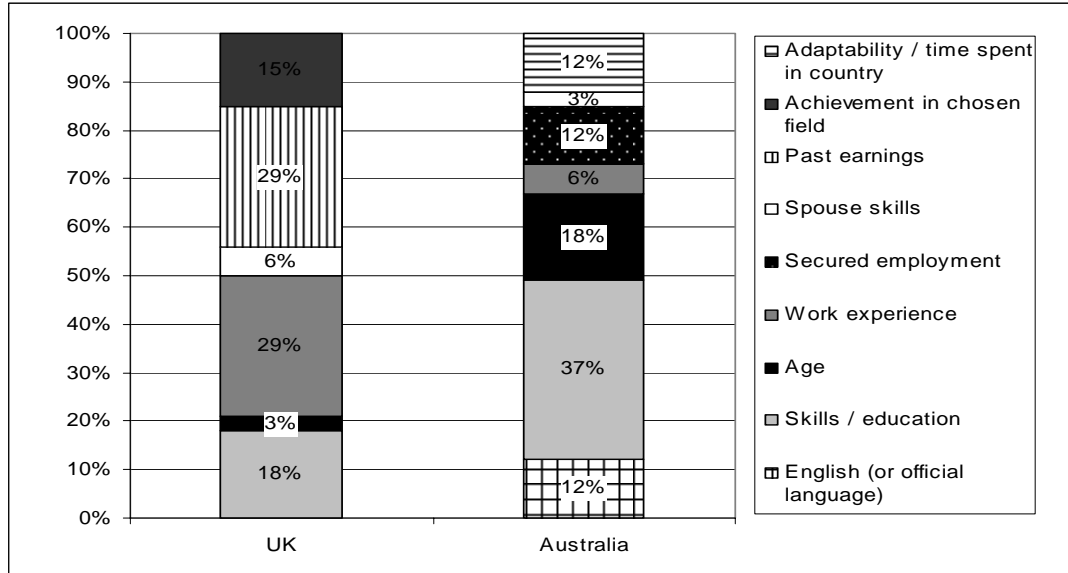
	UK/HSMP	Australia/GSM
Age	5	15 - 30
Qualifications	15 - 30	40 - 60
Work experience	25 - 50	5 - 10
Recent earnings	25 - 50	
Achievement in field	15 - 25	
General practitioner	50	
Spouse / partner achievement	10	
Shortage occupation		15 - 20
Australian qualification		5 - 15
Regional		5
Relationship		15
Sponsorship		15
Bonus		5
<b>Number required</b>	<b>75</b>	<b>110 - 120</b>

Source: Websites

Figure A3.6 compares the relative weighting of the attributes for the two countries, demonstrating some significant differences between them.

**Figure A3.6: UK Highly skilled migrant program and Australian general skilled migration program.**

Percentage weighting\* of attributes



Source: Home Office 2005

Notes:

\* Weightings are calculated as the maximum achievable in each category divided by the total maximum achievable points, excluding bonus points.

The number of approvals has been rising (Table A3.8) and is likely to continue to do so as there is a substantial backlog of applications to be dealt with. About 24,000 applications were received in the year leading up to March 2005. Unfortunately, accurate statistics for the period from mid-2003 on the occupations of those accepted are not available. However, during the period 1 February 2002 to 31 July 2003 four main groups dominated: Finance (including accountancy, banking, investment, etc.); Business Managers (including consultants, directors and executives); ITCE (including software engineers, computer specialists and telecommunications specialists); and Medical occupations. Other important categories were: Science, academic and research; Other engineering; and Sales and marketing. To a considerable extent, these occupations are similar to those coming through the main work permits scheme.

Those entering under the programme come from a wide range of nationalities (Table 8). In the first six months of 2004 Indians were the largest group (21.6 per cent), followed by Americans (11.1 per cent), Australians (8.7 per cent), South Africans (8.3 per cent) and Pakistanis (8.3 per cent).

Table A3.8: Highly Skilled Migrant Programme applications approved, by nationality, 2002, 2003 and first half of 2004

	2002*	2003	2004**
Total	1197	4891	3234
Argentina	17	25	14
Australia	88	327	281
Azerbaijan	1	13	7
Bangladesh	15	58	38
Belarus	2	13	7
Brazil	6	24	21
Brit Nat Overseas	6	21	17
Bulgaria	6	26	12
Cameroon	1	12	5
Canada	48	146	76
China Peoples Republic Of	34	171	81
Colombia	9	20	12
Egypt	12	50	31
Ghana	4	30	17
India	181	837	698
Iran	9	43	27
Iraq	7	16	11
Israel	9	59	31
Jamaica	8	27	14
Japan	7	29	15
Kazakhstan	3	10	5
Kenya	15	39	23
Lebanon	3	10	4
Lithuania	8	12	1
Malaysia	14	40	31
Mauritius	1	13	13
Mexico	5	19	9
Nepal	2	16	10
New Zealand	18	140	132
Nigeria	31	215	135
Pakistan	59	309	267
Peru	3	22	5
Philippines	4	21	8
Poland	4	24	8
Romania	7	25	16
Russian Federation	33	137	65
Singapore	15	37	24
South Africa	76	438	277
Sri Lanka	10	46	33
Sudan	5	18	15
Tanzania (united Rep Of)	6	14	5
Trinidad & Tobago	2	14	8
Turkey	9	63	38
Ukraine	8	36	28
United States Of America	273	848	359
Venezuela	4	35	13
Yugoslavia	1	12	3
Zambia	10	22	13
Zimbabwe	31	101	59
Rest of World	67	208	212

Source: Work Permits (UK)

Notes:

Table shows all nationalities for which there were 10 or more applications in 2003.

\* The HSMP started on 1 February 2002 and so data for 2002 are for 1 February to 31 December.

\*\* 1 January to 30 June 2004

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## Working Holidaymakers (WHM)

Restrictions in the type of employment include engaging in business or providing services as a professional sportsman or entertainer or pursuing a career. In other words, employment must be in a junior position and temporary. Anecdotal evidence suggests that for those with a university degree or equivalent qualification it is relatively easy to switch from a WHM to a Work Permit and that increasing numbers of WHMs stay legally in the UK to work in the financial and ICT sectors.

There is no formal monitoring of working holidaymakers after their entry into the UK. Home Office document HO 2003d on the WHM scheme states that some WHM migrants can help alleviate recruitment difficulties...so it might not be in the UK's economic interests to fully enforce (sic) the current employment restrictions.

In the consultation process on the development of the WHM scheme (HO 2003d) employers' representatives in sectors with labour shortages argued for expansion of the scheme beyond Commonwealth countries in order to fill gaps. In particular they favoured making it easier for WHMs to switch into work permit employment at the end of their stay. In June 2003 the HO presented the results of its review of the system, with changes effective from August that year. The most significant change was related to the removal of most employment restrictions.

## Innovators Scheme

The scheme is aimed at entrepreneurs with new and creative ideas who want to set up a business in the United Kingdom, especially in the areas of science and technology, including e-commerce. It is designed to attract and select entrepreneurs whose business proposals will lead to exceptional economic benefits for the United Kingdom. Numbers of new innovators (as distinct from those already in the UK in this capacity and applying for indefinite leave to remain) approved between March 2004 and September 2005 totalled only 45.

Innovators do not need to invest a set amount of money, but must show entrepreneurial ability, technical skills and a good business plan. Assessment is selective, but highly flexible. Applications, to Work Permits UK, are assessed on the basis of a points system, the scoring areas being: personal; business plan - general; business plan: economic benefits. Initial approval is for 18 months which can then be extended and after four years there is the possibility of indefinite leave to remain.

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## Investors Scheme

This is for people with more than £1 million to invest in the UK and who want to make the UK their main home. Investment may be in unit trusts or private companies, but not property companies, offshore companies, banks or building societies. Investors may not work as employees but their family members can.

Initial permission to stay is for 12 months, renewable for three years if conditions are met, after which there may be indefinite leave to remain. Between March 2004 and September 2005, 176 new investor applications were approved.

## Science and Engineering Graduates Scheme

The scheme, begun in October 2004, allows non-EEA nationals who have graduated from UK higher or further education establishments in certain physical sciences, mathematics and engineering subjects with at least a 2.2 class degree to remain in the UK for 12 months after their studies to pursue a career.

The DfES has created a list of relevant courses which focuses on subjects and skills identified as being in short supply.

## Fresh Talent: Working in Scotland scheme

This is the only UK scheme targeted at attracting migrants into a specific region and thus comparable (in a very restricted way) to the Regional Australia policy. It is part of the Scottish Executive's Fresh Talent Initiative which encourages people to consider living and working in Scotland. It has been developed in response to the sharp decline in Scotland's population in recent years.

The scheme is being implemented jointly by the Scottish Executive and Home Office. It is designed to enable non-EEA nationals who have successfully completed higher education at a Scottish university to apply to stay in Scotland for up to two years after completing their studies to seek and take work.

There are no restrictions on the type of work taken and a work permit is not required. After two years, scheme participants may stay on as a work permit holder, HSMP participant, business person or innovator. Dependants are also allowed to stay in Scotland provided they meet the requirements of the Immigration Rules.

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## Permit-free routes

There are a number of permit-free routes under which skilled people can enter in connection with employment in the UK. These include the Working Holidaymakers scheme, with tens of thousands of entries, to much smaller and more specific schemes such as those for representatives of overseas insurance companies, the Japan Youth Exchange Scheme and the provision within the Immigration Rules to allow writers, composers and artists to enter the UK and settle there. Clergy do not require work permits.

## Students

With 319,000 people given leave to enter as students in 2003, this scheme is bigger numerically than any employment route.

For entry as a student under the Immigration Rules to be granted, an applicant must have been accepted for a course of study at a publicly funded institute of further or higher education; a bona fide private education institution or an independent fee-paying school outside the state sector. The establishment must be included in the DFES Register of Education and Training Providers. The Rules also require that an applicant must be able and intend to follow a recognised full-time degree course at a publicly funded institution of further or higher education; a weekday full-time course at a single institution for minimum of 15 hours a week organised daytime study; or a full-time course at an independent fee-paying school. Applicants must demonstrate that they intend to leave the UK at the end of their studies; that they do not intend to take employment other than part-time or vacation work; and are able to meet the costs of their course and accommodation, and maintain themselves and any dependants without having recourse to public funds.

In addition to the main student route, the Rules also contain separate categories catering for dependants of students (who may seek employment where the period of leave granted is 12 months or longer); student nurses, and prospective students, for those who intend to study in the UK and who need to spend time here to finalise their study plans.

### A3.6 Proposed new five tier system

The proposed new migration management system was forged predominantly during the run-up to the 2005 General Election. The introduction of new schemes and the development of existing ones in the years before had led to a situation in which the need for better integration of the various components of labour immigration policy had become apparent. This need was thrown sharply into focus by the inflow of labour from the A8 countries before and after May 2004. However, the timing of the government's

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proposed 5-year strategy, unveiled in February 2005, was undoubtedly influenced by the political cycle. Having stressed the urgency of a new management strategy, it is not surprising that the first proposals were put forward soon after the election and a consultation process begun. However, it is evident from the lack of detail about how the proposed system will work that there is still much planning and research to be done before implementation can proceed.

The existing system was felt to be too complex, bureaucratic, subjective lacked transparency and with limited action taken to curb abuses by sponsors. The main objectives of the new system are economic and control. The government aims to increase the number of highly productive and highly skilled workers in the UK, fill short term shortages and gaps in the labour market and increase UK exports (e.g. by increasing innovation, productivity and efficiency among UK firms and by students spending money on UK goods and services). At the same time, it wants to improve public confidence in the system of control, prevent those who do not meet the criteria from getting to the UK and ensure that those who are not entitled to be in the country leave.

For labour migrants the intention is to move away from the current two-step process where an employer obtains a work permit and then the individual worker applies for entry or stay clearance. Work permits will be abolished and the only role for the employer will be the interview/job offer process and to assure IND that it has a UK base.

The strategy is outlined in the recent (July 2005) Home Office Selective Admission: Making Migration Work for Britain, a document containing proposals for a new five tier system for managing labour immigration. The document launches a process of consultation with as wide a range of stakeholders as possible, to conclude in early November 2005. In addition to the proposals it contains a list of questions, welcoming comments on the proposals as well as wider contributions to developing an effective managed migration system. More detailed plans will not be published until spring 2006 at the earliest, with phased implementation into 2007.

Early responses from employers in the consultation process have been largely negative towards the new system, although it is not yet clear how strong has been the engagement of employers with the process.

During the consultation period the Managed Migration Customer Services Team within the Immigration and Nationality Department will develop the evidence base, analysing the economic impact of alternative policy options and working in more detail on proposals for streamlined implementation processes for the system. It is intended that further announcements will be made about improvements and proposals for the family reunion arrangements and about the requirements to qualify for permanent residence.

The essence of the proposal is to move from the existing two-tier work permit system plus the other entry schemes (WHM, SBS, SAWS, HSMP) to an all-encompassing five tiers which reflect the purposes of different migrants in coming to the UK.

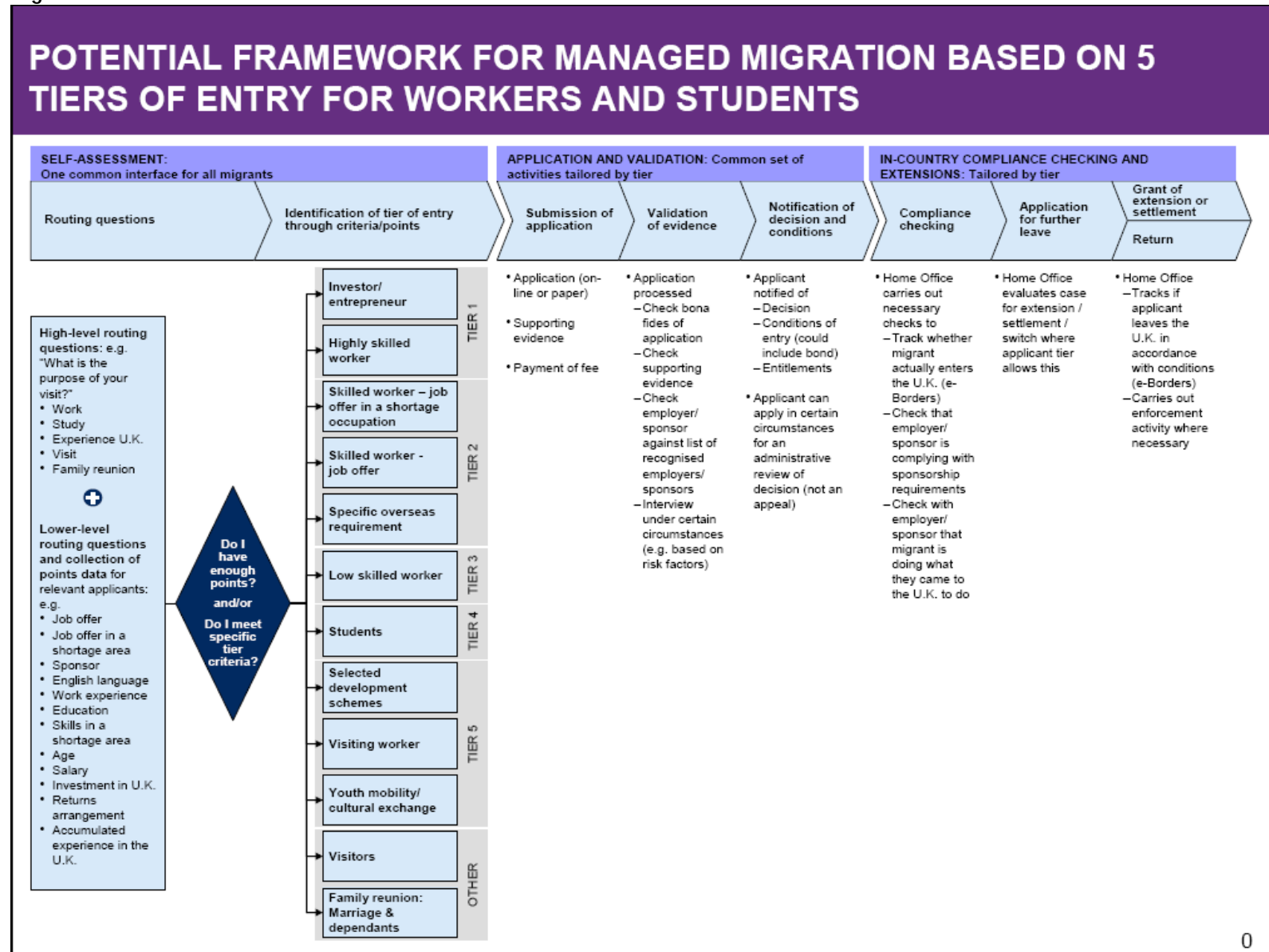
- 
- *Tier 1*: Highly skilled individuals to contribute to growth and productivity. This is the existing HSMP.
  - *Tier 2*: Skilled workers with a job offer and workers to meet specific requirements where an overseas national is necessary. This comprises the two current tiers of the work permit system.
  - *Tier 3*: Limited numbers of workers to fill low skill shortages.
  - *Tier 4*: Students: increasing exports and improving the education sector (through overseas fees) for the UK.
  - *Tier 5*: Other temporary categories: visiting workers, selected development schemes and youth mobility/cultural exchange.

It is proposed that Tiers 1 and 2 would have a route to permanent residence subject to meeting five years residence and other requirements. The others would not, but in some cases, for instance students graduating and finding work in a shortage area, people on the Fresh Talent: Working in Scotland scheme, or post-doctoral researchers, individuals could move quickly into Tiers 1 or 2. Migrants would have different entitlements according to tier: for example to work with or without restriction; or to be joined by their immediate family. The tier of entry or stay would also affect the possible contribution of a sponsor to making the system work.

### **The application process**

A two stage process is suggested (Figure A3.7). First, a prospective migrant would make an initial self-assessment, using guidance preferably on the web but also on paper, by answering some simple questions relating to purpose in coming to the UK, length of stay and qualifications and work experience. This would allow them to be routed to the relevant set of requirements to establish whether they would qualify to come to the United Kingdom as a visitor, skilled worker or student or not. Second, if the self-assessment was successful under any of the tiers they could then make their formal application, with supporting documentary evidence, to the relevant post overseas or, if in the UK, to the Managed Migration Directorate in IND. The caseworker would ensure that the applicant qualified under the relevant tier and satisfied the necessary risk and security checks, before telling them whether they qualified and what their status in the UK would be.

Figure A3.7:



Source: Home Office, 2005

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People who are overseas and wishing to enter the UK under Tiers 1 and 2 would have to apply to a caseworker located at a UK embassy or consulate overseas. Those within the UK (equivalent to first permissions, extensions and changes in the existing work permit system) would apply to the IND. Thus, in the current situation, about half of applications would be dealt with in the UK, the remainder out of the country by caseworkers distributed worldwide. Where applications were routed through Tier 2, the IND would ensure that the potential employer had a base in the UK. In the first instance, an employer will have to obtain a sponsorship certificate from WPUK acknowledging that it is a bona fide organisation.

At the heart of the process will be a points system. The allocation of points within the various tiers has not yet been decided but is likely to vary from tier to tier. In consequence, two individuals in different tiers may achieve the same number of points overall, having collected them in different ways. The possibility of progression between tiers is still open, with an individual building up points while in the country. This could eventually lead to a more integrated management system which allows movement between tiers.

There are no proposals for establishing an overall quota. This is particularly the case for skilled workers in tiers 1 and 2. The situation in the remaining tiers is uncertain. It seems likely that there will be quotas for some low skilled workers in tier 3, as currently in the SBS and SAWS. However, at present citizens of the A8 countries are filling almost all low skilled needs.

## **Proposed attributes and other requirements for Tiers 1 and 2**

Tier 1 is the 'global competition' tier. The most highly skilled individuals and people with large sums of money to invest, should qualify for entry or leave to remain under Tier 1. The aim is to target the migrants who are most likely to maximise growth and productivity, so points would need to be allocated and weighted according to evidence as to which factors are most closely related to economic success. It replaces the HSMP. Tier 1 will be points based, it will not require a sponsor, it can lead to settlement and there will be clear criteria for extension beyond the initial period of stay.

Tier 2 is the 'skills shortage' tier. It is designed to offer an entry route to skilled individuals with a job offer where there is a labour market demand. It amalgamates tiers 1 and 2 in the current work permit system. The Tier will be points based and a sponsor (employer) will be required. The initial grant of entry will be for between one and three years but may lead to settlement thereafter. It will include shortage list occupations and also intra-company transfers.

Thus far, most of the key issues relating to Tier 2 are not decided. A number of options for responding to labour market demand within this tier have been proposed for consultation.

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### *Establish a Skills Advisory Body (SAB)*

A new advisory body is proposed that would draw on the work of the existing Sector Skills Councils (SSCs), the Sector Skills Development Agency (SSDA) and Future Skills Scotland and the Sector Skills Advisory Panels. It would use these sources and others to interpret supply and demand information available on the UK labour market and on its skill shortages, to develop a fuller picture of their relation to UK competitiveness. It would then advise the Government on the state of the labour market, including shortage areas to be included on a UK list of shortage occupations.

The exact nature of the SAB is still to be determined. At the moment the intention is that the SAB will have a purely consultative role and will have less power than the existing Sector Skills Advisory Panels. The key outputs from the SAB may be regular advice on the UK labour market and any skills shortages that might undermine potential economic growth. It is expected also that the SAB would advise also on salary levels in occupations and skill levels required for occupations. It would map the existing skills strategies, including Sector Skills Agreements, and advise on their likely impact on the current and future supply of skilled workers.

This process would identify key shortages and gaps in the UK labour market and would recommend where these could be alleviated through inward migration via the Tier 2 route. It would not attempt to quantify shortages as this would, in effect, establish a quota. However, it may be given the task of developing a methodology which would allow quantification of shortages some years ahead in selected pilot occupations. How exactly the SAB would work to identify shortages is part of the consultation process and no final decisions have been made in this area.

### *Resident Labour Market Test*

Another option would be to include the resident labour market test (RLMT), which is part of the current work permit system, in a points-based system for Tier 2. Where employers face shortages which are not identified by the SAB such a test may be a useful way of allowing firms to fill vacancies, if they have explored domestic options first. It could be incorporated into a points system by only awarding points for a job offer that had passed the RLMT. The role of salary levels as a proxy for a residential labour market test has still to be decided. Currently they are not proposed as criteria for entry but this may change.

The government is still wrestling with how to weigh up and combine skill/qualifications, salary and shortage. While actual salary paid may be a criterion for points in Tier 1, salaries may take on a different meaning in Tier 2 where there is some supposed responsiveness to protecting the domestic labour market and where the salary levels of migrants may be supplemented by various relocation allowances. In contrast, in the Australian system, minimum salary thresholds are imposed, although these may be set at below market rates.

It is not yet clear whether advertising vacancies across the EEA will be expected and this is something that is under consultation.

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### *Awarding points for attributes*

A points system could allow for a migrant with a verified job offer not on the shortage list to reach the points threshold by a combination of salary, skills and/or regional need. Current thinking is that salary in a job offer looks likely to be the best indicator of an individual's probable contribution to the UK economy, subject to further evidence-gathering and analysis. It may also be possible for points to be varied to allow regions, or Scotland for instance, with particular skills shortages to attract the migrants they need.

However, under the new points system there is concern that the salaries overseas nationals would be earning in poorer economies like India would attract lower points than other countries for a position requiring the same qualifications and experience. It has not yet been decided how points would be weighted in these circumstances and consultations are continuing.

### *Higher fees*

Another option would be that a higher fee for a non-shortage migrant worker application might be a good test of the employer's need for migrant labour in place of domestic workers. However, there is currently an information vacuum on how to resolve the tension between fees and administrative costs. It is proposed that fees will not be returned in the event of a refusal.

It has also been proposed that employers should deposit a bond, repayable when the employee goes home. There are different views on desirability and level at which the bond should be set and no decision has been made.

### *Auctions*

Auctioning work permits for non-shortage vacancies in Tier 2 could possibly be another way to test the economic value of migrant labour. Employers could bid for permits released on a monthly basis with the highest bids securing permits. The price mechanism would force a decision on employers to train or pay domestic alternatives where this was cheaper and provide real-time information on demand and the price the market would bear. An auction might expose and capture the economic value of a work permit. Whether or not an auction is appropriate is also subject to consultation.

### *Specific Overseas Requirement*

Tier 2 could possibly cater also for some migrant workers who are currently provided for in specific permit-free routes. These categories would be to fill posts in the United Kingdom which could not be filled by a UK or EEA worker because of specific overseas requirements: such as overseas Government employees, sole representatives, representatives of overseas newspapers, intra-company transfers, and Ministers of Religion.

So far, final decisions have not been made about which groups will be in which tier.

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## Management and administration of the proposed system

Figure A3.7 summarises the potential framework for managed migration in the consultation document. There are three basic stages:

Self assessment, using a set of routing questions and identification of tier of entry through criteria/points.

- Application and validation process using a common set of activities tailored by tier, relating to submission of application, validation of evidence and notification of decision and conditions.
- In-country compliance checking and extensions tailored by tier, involving compliance checking, application for further leave [to remain] and grant of extension or settlement or enforcement of return.

The new system aims to increase transparency and objectivity in the decision-making process through the introduction of a universal points system for each tier and a focus on the individual foreign worker. However, there are a number of potential pitfalls.

First, the close liaison between employer and caseworker that currently exists will be lost. Having made a job offer, the employer is removed from the equation. The special knowledge and services provided by HR departments and immigration lawyers in facilitating intra-company transfers, for example, will be lost. Our own surveys of trans-national employers have shown a high degree of satisfaction (although not universal) with the current work permit system. It is generally regarded as responding quickly and flexibly and, because of liaison between individual employers/lawyers and Work Permits UK, most applications are successful. In comparison with the situation described by large employers in five other European countries, the UK came out very well.

Second, caseworkers will be spread around the world. It is proposed that all decision-makers in the new system will be supported by sufficient training to ensure that standards of caseworking are maintained. It is hoped also that the use of more transparent and objective criteria should enable decision makers to make better quality decisions. In order to bring this about a high level of co-ordination will be needed with caseworkers scattered across upwards of 150 countries. Particular problems might arise, for example, in assessing job titles and qualifications and valuing salary information.

Third, there may be problems where mobility within companies is client-based and involves short-term assignments. Particular difficulties are likely to be faced in the ITCE sector where certain trans-national employers (mainly Indian) rely for their operations on the ability to transfer large numbers of staff at relatively short notice in order to fulfil contracts.

Fourth, most of Tier 2 applications will be on the basis of skills shortages for temporary workers. However, no satisfactory methodology currently exists for

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identifying, measuring and reviewing shortages, which might lead to timely responses in any points system.

Fifth, in order to enable co-ordination of the system and to provide management data, a new and major information database will need to be developed. In order to meet the target of implementation in 2007 this will need to be developed quickly. Unfortunately, the story of new large IT databases in UK government has, at best, been chequered.

Sixth, the new system is being developed against a research-poor background. Information on how successful migrant workers have been is scarce and there are currently no plans to change this. Hence, decisions with respect to points allocations cannot be made in light of hard evidence of outcomes from past migrations. It is likely that in the first few years the points balance will need to change not just on the basis of skill shortages but on experience of migrant outcomes as well.

### **A3.7 The Australian system for skilled immigration and comparisons with the UK**

To an outsider the Australian system seems highly comprehensive with respect to the number and conditions of the various schemes and the ability to move between them. The immigration programme has been developed over the last sixty years, with an intensive effort over the last thirty to ensure the correct policy settings and infrastructure.

The skilled migration intake is integrated into a settlement programme, the main planks of which

- are in Australia's long-term economic, budgetary, social and environmental interest
- assist a balanced dispersal of the intake across Australia
- support Australian industry to be internationally competitive
- reduce risks of negative impacts - health, character, national security, identity fraud.

UK policy, in contrast, has no environmental objective, nor does it seek to create a balanced geographical dispersal. Only in Scotland and at the initiative of the Scottish Executive is an attempt being made to introduce a regional element into labour immigration policy. Overall UK government concern with the long-term negative implications of immigration is largely focused on the integration of ethnic minorities and to limit false claims for asylum.

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Any comparison of Australian and British immigration policies has to confront some fundamental differences in context, rationale, approach and outcomes.

The context in which the two countries operate is very different. The UK is part of an international political grouping (the European Union) where there is freedom to move between member states to seek and take up work and residence. One consequence of this is that statistical data on movement are not routinely collected for administrative purposes. Political development within the Union also means that in certain things (like visa policy) competence has passed to the European Commission and in others decisions reflect the achievement of consensus within the Council of Ministers. With the exception of the trans-Tasman agreement, the Australian government is a much freer agent in matters of immigration and emigration.

The rationale behind policy development is not the same in the two countries. The main thrust of Australian policy has traditionally been the attraction of permanent settlers through a planned migration programme with planning levels set by government. Temporary migration has become more important in Australia only comparatively recently. The UK has never had a planned migration programme, has never had planning levels or quotas and has not set out to attract permanent migrants until very recently. Especially for labour, temporary migration is the norm and long-term settlement generally occurs when those admitted are given leave to remain. Whether or not they stay is up to them, provided they can satisfy the appropriate conditions attached to indefinite leave to remain.

The approach adopted by the governments in evolving a managed immigration system also varies. Within a specialist Ministry, Australia has developed a highly integrated and linked set of programmes and categories. In the UK the system of management has grown in a haphazard fashion. There has been almost no attempt to orchestrate the administration of the main routes of entry (such as labour, family, asylum and students), a task made even more difficult because responsibilities are shared among different ministries. While the work permit scheme has considerable longevity, other schemes for labour immigration have sprouted spontaneously as circumstances have dictated.

Knowledge of outcomes and ability to react to them are also different. Australian statistical sources are comprehensive and accurate and the longitudinal survey allows close monitoring of migrant outcomes. The UK has comparatively poor statistics and there is almost no information on outcomes that would allow the government to know what works and what does not. Furthermore, since most labour immigration in the UK is demand led, employers rather than government have been the prime movers.

As a result of these differences, comparisons between the two countries are difficult. Both are fishing in the same waters for particular skills and experience but the UK continues to be more narrowly focused in the skills it seeks to attract.

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There are both similarities and differences between the Australian and proposed new UK systems. The key similarities are:

- The integration of a large number of routes of entry into a consolidated 5-tier system. It is not a management programme with targets and planning levels similar to the Australian programme but it is a step in that direction.
- The move in the UK towards a one-stop shop, with only one application process rather than the existing two. Concentration of this into the IND echoes the concentration of the Australian policy and delivery in DIMA.
- The creation of set paths from temporary entry into long-term settlement, together with the possibility for the individual to move between tiers.
- The use of a points system to provide transparency and objectivity in decision making.
- Employers will be regarded as sponsors rather than being key players in applications for work permits.

Key differences are

- The trend in Australia in recent years has been to concentrate all decision making on applications in the country (at several locations) rather than at offices around the world. As a result, immigration work is being repatriated. In contrast, the UK is moving away from centralised decision making on work permits towards a highly dispersed system.
- Unlike Australia, the UK does not yet have a comprehensive information system in place to co-ordinate decision making by caseworkers. Nor does it have a monitoring system like the Longitudinal Survey which allows outcomes to be assessed, thus informing future policy.
- In the UK the new migration policy is not seen as part of a wider population policy. Australia has gone at least some way in this regard.

### *Acknowledgement*

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