



International  
Labour  
Organization



# **Review of Approaches in Measuring the Need for Migrant Workers and Labour Migration Planning Russian Federation and International Experience**

International Labour Organization

# **Review of Approaches in Measuring the Need for Migrant Workers and Labour Migration Planning**

**Russian Federation and International Experience**

Moscow — 2009

Copyright © International Labour Organization 2009

First published 2009

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [pubdroit@ilo.org](mailto:pubdroit@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit [www.ifrro.org](http://www.ifrro.org) to find the reproduction rights organization in your country.

***Review of approaches in measuring the need for migrant workers and labour migration planning : Russian Federation and international experience / ILO Subregional Office for Eastern Europe and Central Asia, International Labour Office. — Moscow: ILO, 2009***  
**ca. 160 p.**

ISBN 978-92-2-122393-1 (print)

ISBN 978-92-2-122394-8 (web.pdf)

**Also available in Russian:** *Анализ подходов к проблеме оценки потребностей в трудящихся-мигрантах и планирование миграции рабочей силы: Российская Федерация и международный опыт / Субрегиональное бюро МОТ для стран Восточной Европы и Центральной Азии, Международное бюро труда. — Москва: МБТ, 2009. — 168 с.*

ISBN 978-92-2-422393-8 (print); ISBN 978-92-2-422394-5 (web.pdf)

*ILO Cataloguing in Publication Data*

**ILO Subregional Office for Eastern Europe and Central Asia**

**Labour migration / international migration / labour shortage / labour demand / migration policy / migrant worker / workers rights / Russian Federation**

**14.09.2**

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our website: [www.ilo.org/publns](http://www.ilo.org/publns)

---

Printed in Russia

# Introduction

Labour shortages occur when the supply of persons do not meet the labour demand. Such shortages can be absolute — skilled persons required by employers simply do not exist in the numbers required — or relative — for a variety of reasons (mobility, wages, conditions of work etc.) nationals do not wish to fill certain jobs. Perceived labour shortages are the *raison d'être* for creating a labour migration system. However labour shortages are not easy to predict or forecast. In manpower planning, long term forecasts (over 5 years) have, in general, proved to be wrong however, fairly accurate predictions can be made for the medium term (2 to 3 years). It has been argued that frequent analyses of trends and changes in the labour market is more useful than carrying out mechanistic forecasts.

General labour market testing is a less cumbersome and more efficient means to manage the intake of foreign workers than individual labour market tests. This usually requires a ceiling to be placed (possibly by sector and region) which in turn presupposes fairly accurate labour market information and forecasts. Flexible mechanisms for identifying and meeting labour demand that are close to economic realities, and that involve social partners in decision-making on migration planning, are often the most effective.

The labour migration process in Russia begins with an assessment of foreign labour needs and establishment of employment quotas for visa free (CIS except Turkmenistan) and visa regime countries. The current methodology however relies only on one source of information (employer applications for hiring migrant workers) for assessing labour market needs. Medium term forecasts, use of administrative records (vacancy data) and more intensive consultation with employer bodies could also be applied in coming up with a more accurate estimate of foreign worker needs. A more accurate estimate of the economy's need for migrant workers will result in more realistic quotas levels. This in turn will reduce the number of workers from visa free countries that turn to irregular employment as a result of unrealistic quota levels. Spain and the United Kingdom are among the countries that have developed relatively elaborate systems for assessing labour market needs for migrant workers.

Three studies, looking at the experiences in Russia and Italy and Spain, and the United Kingdom, have been prepared in the framework of the ILO project "Towards Sustainable Partnerships for the Effective Governance of Labour Migration in the Russian Federation, the Caucasus and Central Asia" financed by the European Union (EU). The purpose of the Russia study is to document the process by which the need for migrant workers is determined, assess the gaps and provide some directions for a more accurate assessment of needs. The purpose of looking at international experience is to document and analyse similar efforts in select EU MS in order to help develop a more comprehensive methodology for assessing labour market needs for migrant workers in the Russian Federation.

The studies have been prepared by national and international experts (Mikhail Kroschenko, Denis Zibarev, Marco Zupi, Elisenda Estruch, Marielle Sanders-Lindstrom) and supervised by Nilim Baruah (ILO). The drafts of the studies have been discussed at a national workshop in Moscow in May 2008. Natalia Scharbakova and Olga Ivanova provided administrative support to the organization of the studies.

Nilim Baruah  
International Labour Organization  
Moscow



The study has been prepared in the framework of the project “Towards Sustainable Partnerships for the Effective Governance of Labour Migration in the Russian Federation, the Caucasus and Central Asia” financed by the European Union (EU).

Views expressed in the report are those of the authors and contributors and do not necessarily represent those of the ILO or EU.

# Contents

Introduction.....	III
<b>Review of current approaches in monitoring and assessing labour shortages in the Russian Federation and methods/procedures in migration planning .....</b>	<b>1</b>
List of Abbreviations .....	2
Introduction.....	3
1. Review of current approaches in monitoring and assessing labour shortages in the Russian Federation and methods/procedures for migration planning .....	5
1.1. Review of legislation.....	5
1.2. Basic weaknesses of the existing system of determining foreign labour demand.....	9
2. Labour shortage and foreign labour employment.....	14
2.1. Occupational and regional structure of labour shortage.....	14
2.2. Key indicators of foreign labour employment in the Russian Federation .....	15
3. Review of statistical information related to evaluation of foreign labour employment requirements.....	21
3.1. Methodological principles of determining the labour supply sufficiency .....	21
3.2. Identification of the occupation and skills structure of labour supply and demand.....	22
4. International Experience.....	24
Conclusions and Recommendations .....	28
Appendices.....	30
References .....	37
<b>Italian and Spanish Experiences on Practical Methods for Assessing and Forecasting Labour Market requirements for Migrant Workers .....</b>	<b>39</b>
1. Introduction.....	41
Five Key-Points in comparative analysis of immigration policies .....	42
References .....	45
2. A summary of Italian and Spanish country studies .....	47
References .....	51
3. Italian country study.....	54
1. Introduction.....	54
2. Trends in Italian statistics on the number of registered vacancies .....	55
3. An Employer Survey: the Excelsior Information System .....	58
4. Developing an Italian system to assess occupational needs .....	63
5. Special studies: a stock-flow model for labour market analysis .....	67
6. Demographic concerns.....	71
7. Migration planning .....	74
8. Final remarks about Italian case.....	82
References .....	83
4. Spanish country study .....	86
1. Introduction.....	86
2. Registry of vacancies and occupational shortages: Catalogue of Occupations Difficult to Cover .....	86

3. Demographic concerns.....	90
4. Special Studies: Spain 2020.....	91
5. Migration Planning.....	96
6. Final remarks about Spanish case .....	109
References .....	110
5. Final Recommendations.....	113
<b>Monitoring Labour Shortages in the UK. A review of the consultation process governing the determination of priority sectors for labour migration .....</b>	<b>117</b>
List of Abbreviations .....	118
1. Executive Summary.....	119
2. Introduction.....	121
2.1 The UK in context .....	121
2.2 Methodology .....	122
3. Evolution of UK Labour Migration Legislation.....	124
3.1. Britain and its colonies.....	124
3.2. Labour recruitment in Post-war Britain .....	124
3.3. Migration in post-colonial Britain.....	124
3.4. The UK in the European Union.....	125
3.5 EU Enlargement and the need for better managed migration .....	126
4. Redesigning Labour Migration to the UK.....	127
4.1 The Points Based System .....	127
4.2 The Migration Advisory Committee.....	130
4.3 Migration Advisory Committee Stakeholder and Sector Panels .....	131
5. Methodology of determining the Shortage Occupation List.....	132
5.1. Determining the scope of labour migration:.....	132
5.2. Top-down evidence: Twelve indicators of shortage .....	132
5.3. Explaining the indicators.....	133
5.4. Identifying shortages: Bottom-up evidence: .....	134
5.5. Migration Impacts Forum.....	135
5.6. Updating the PBS .....	136
5.7. Sector papers for key areas .....	136
6. Consultations with Sector Skills Councils.....	137
6.1 What are Sector Skills Councils? .....	137
6.2 Submitting evidence to the Migration Advisory Committee .....	138
6.3. How they work: seven sectors in focus .....	139
7. Constraints .....	146
8. Conclusion.....	147
Bibliography.....	149
Annex A: Organisations Consulted/Interviewed .....	150
Annex B: Sector skills Reports .....	150
Annex C: List of Sector Skills Councils in UK.....	151
Annex D: Descriptive Chart: Prevention of Illegal Working: Immigration, Nationality and Asylum Act 2006 (Civil Penalties for Employers).....	152
Annex E: People of non-UK origin working in UK construction (SIC45), entered UK in past five years .....	154

# **Review of current approaches in monitoring and assessing labour shortages in the Russian Federation and methods/procedures in migration planning**

Prepared for the International Labour Organization  
by Mikhail Kroschenko and Denis Zibarev  
with a contribution from Elisenda Estruch and Marco Zupi (CeSPI)  
Supervised by Nilim Baruah (ILO)

May 2008



## List of Abbreviations

CEO	Chief Executive Organization
CeSPI	Centro Studi di Politica Internazionale
CIS	Commonwealth of Independent States
EU	European Union
FMS	Federal Migration Service of the Russian Federation
IAC	Interagency Commission
ILO	International Labour Organization
MHSD	Ministry of Health and Social Development
OKVED	Classified index of economical types of activities
OKPDTR	Joint System of classification and codifying of techno-economical and social information of the Russian Federation
RF	Russian Federation
RostRud	Federal Service on Labour and Employment
RosStat	Federal Service of State Statistics

# Introduction

Labour shortages occur when the supply of persons do not meet the labour demand. Such shortages can be absolute — that is skilled persons required by employers simply do not exist in the numbers required — or relative — that is for a variety of reasons (mobility, wages, conditions of work etc.) nationals do not wish to fill certain jobs.

Perceived labour shortages are the *raison d'être* for creating a labour migration system. However labour shortages are not easy to predict or forecast. In manpower planning, long term forecasts (over 5 years) have, in general, proved to be turned out wrong however, fairly accurate predictions can be made for the medium term (2 to 3 years)<sup>1</sup>. It has been argued that frequent analyses of trends and changes in the labour market is more useful than carrying out mechanistic forecasts<sup>2</sup>.

General labour market testing is a less cumbersome and more efficient means to manage the intake of foreign workers than individual labour market tests. This usually requires that a ceiling to be placed (possibly by sector and region) which in turn presupposes fairly accurate labour market information and forecasts.

Flexible mechanisms for identifying and meeting labour demand that are close to economic realities, and that involve social partners in decision-making on migration planning, are often the most effective.

Now that the structural economic crisis is over, the situation in Russia's labour market has improved considerably. Each year, the rate of unemployment goes down: the share of the unemployed in the economically active population in today's Russia is much lower than that in certain G8 countries (Germany, France, etc.).

Modernization of production, and the implementation of large investment projects, often with foreign capital participation, have raised labour demand in the real sector of the economy.

The Government of the Russian Federation is carrying out an active economic policy aimed at greater public investment, and accelerated high tech and infrastructure development. Major social development objectives are dealt with in priority national projects in the areas of health, education, housing and agriculture.

These policies will heighten the labour demand even more. Therefore, it is particularly important to make sure that the labour market accelerates, rather than constrains, Russia's economic growth.

Under the circumstances, public labour migration policy and management are becoming a key element in regulating the labour market.

Structural disproportions in labour supply and demand have paved the way for a new public policy in the labour market, labour migration included. According to Russia's Ministry of Health and Social Development, 30 to 50 % of companies in various sectors are short of labour today. The problem is particularly acute with regard to blue-collar jobs.

---

<sup>1</sup> Blaug (1973): quoted in P. Richards and R. Amjad (ed.). *New approaches to manpower planning and analysis*, ILO, Geneva, 1994, p. 3.

<sup>2</sup> Richards, P. and R. Amjad (ed.) (1994).

Adverse demographic trends herald a 9.8 million reduction in the employable population by 2016, which is sure to aggravate the current labour shortages. The areas of Siberia and Russia's Far-East, affected by the current population exodus, are likely to be hit the hardest.

Russia's foreign labour employment policy should be regulated with due account for the economy's labour demand. Therefore, the government's migration policy should, among other things, create an environment for legal employment of migrant workers, primarily in the scarce jobs segment.

Addressing this challenge, federal authorities need to focus on:

- Improving the regulatory-legal framework of foreign labour employment;
- Creating a system to monitor employers' labour demand, migrant workers included.

The purpose of this report is to document the process by which the need for migrant workers is determined, assess the gaps and provide some directions for a more accurate assessment of needs.

# 1. Review of current approaches in monitoring and assessing labour shortages in the Russian Federation, and methods/procedures for migration planning

## 1.1. Review of legislation

Federal Law No. 115-FZ on The Legal Status of Foreign Nationals in the Russian Federation, dated July 25, 2002, was amended in 2007, and many of the effective amendments concerned labour activities of foreign nationals in the Russian Federation.

In particular, provisions on employment quotas for foreign labour were revised. Under earlier provisions, the quota arrangement applied to invitations to foreign nationals to enter the Russian Federation for employment purposes (Article 18 of the Federal Law). The foreign nationals who arrived in Russia under the visa-free procedure needed only to get their work permits from Russia's Federal Migration Service (FMS). No quotas were set on the number of those permits.

Under the new procedure, the Russian Federation Government shall set quotas on the work permits issued to all foreign nationals (Article 18 of the Federal Law).

The quotas are set depending on the occupation, trade and skill level of foreign nationals, the country of their origin, and also other economic and social criteria with due account for the local labour market specifics.

At the same time, migration law provides for establishing a list of quota-exempt occupations, which applies primarily to high-skilled foreign specialists.

Besides, the Russian Federation Government may limit the proportion of foreign workers employed in certain sectors of the economy.

Legislative amendments have also changed the procedures for interaction between the federal and regional authorities, and between the regional authorities and employers, in determining foreign labour requirements. These procedures are governed by Russian Federation Government resolution No. 783 of December 22, 2006.

The employers hiring foreign labour should now submit applications with respect to all foreign workers they want to employ, including visa-free arrivals from the CIS countries.

The employer's application form has also changed. In stating the need for migrant workers, the employer should specify their jobs, occupations, and countries of origin (as per the classifiers approved by the relevant standardization body).

The data collected in accordance with the earlier format were aggregated by country, sector and occupation.

Under Ministry of Health and Social Development order No. 188 of March 26, 2007, the employer's application form now includes new columns to specify:

- The required skill level of workers (education, work experience);
- Terms of employment (wages, medical insurance, housing, training);
- Grounds for foreign labour employment (development of new technologies, creation of joint ventures, lack of local specialists);
- Information on applying to employment offices.

The form also has an entry on the actual employment of foreign labour, the data being disaggregated by occupation.

In view of the longer list of occupations covered by quotas, the number of applications for foreign labour employment has considerably increased. Besides, regional executive bodies have to submit data concerning every company and every job.

On the whole, the 2007 procedure for migration quota-setting reproduces the former two-tier model.

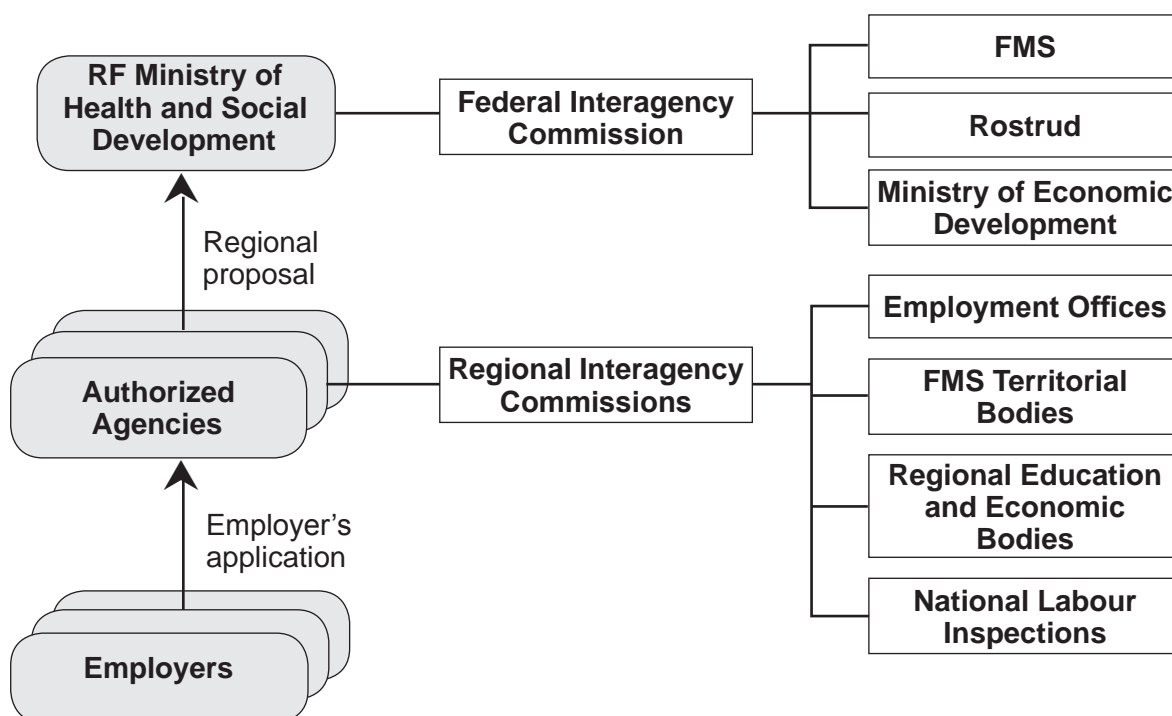
The regional authorities determine foreign labour requirements on the basis of proposals submitted by employers.

The quota proposals prepared by the regional authorities in cooperation with territorial bodies of federal executive agencies (migration service, labour inspection) and social partners are submitted to Russia's Ministry of Health and Social Development.

Regional migration quota proposals are examined at the federal level, also in partnership with the federal executive agencies concerned.

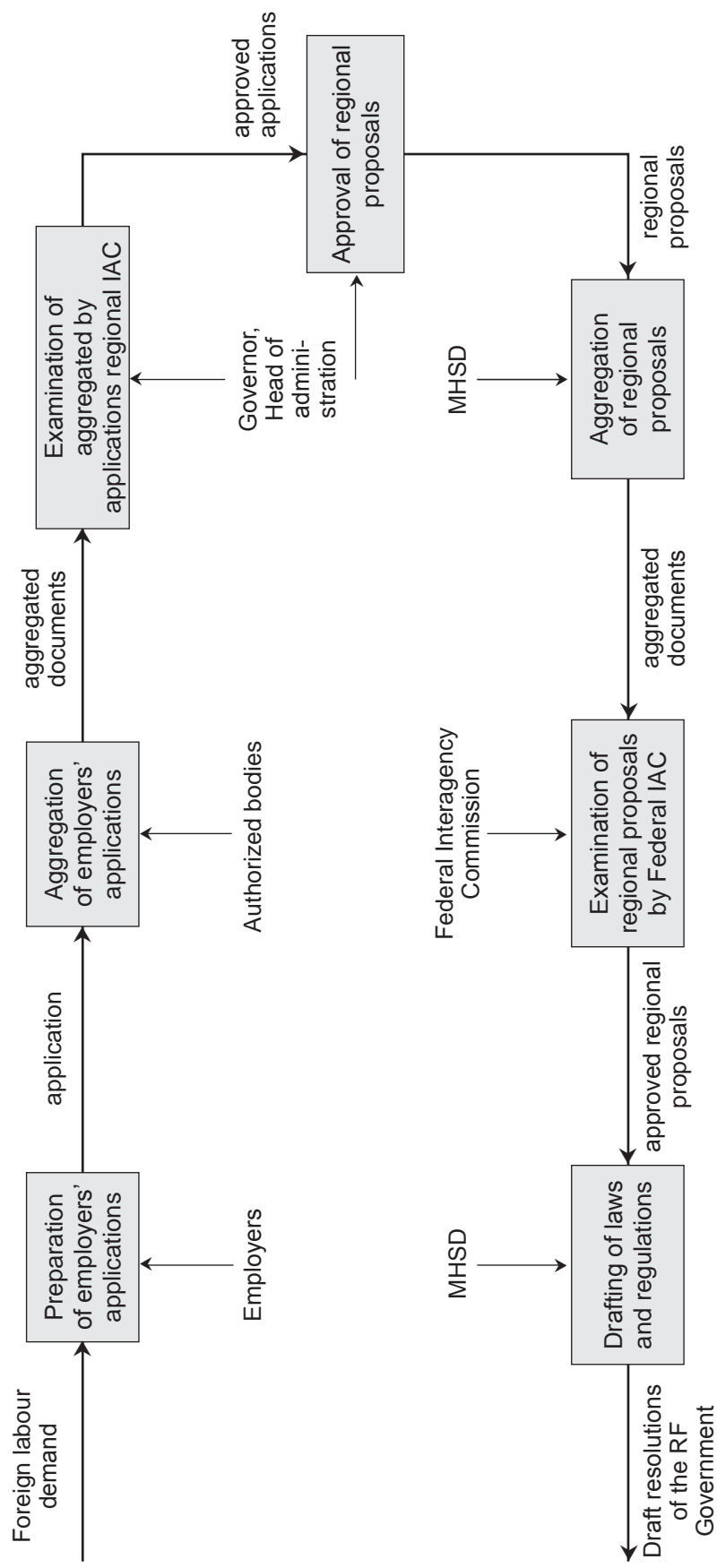
The pattern of interaction between the federal and regional authorities and the quota-setting procedure are presented in Figures 1 and 2.

**Figure 1.** Interaction between federal and regional authorities in migration quota decision making



At the regional level, implementation of migration procedures is entrusted to a regional executive agency designated by the regional Governor as the authorized body. It may be a regional executive body in charge of economic or employment management.

The process of informing employers on the procedure for drafting proposals on foreign labour employment is organized by the authorized body in partnership with local government bodies and social partners (through tripartite commissions).



**Figure 2.** The process of formation of migration quotas

The employers' applications for foreign labour employment in the year to come must be submitted to the authorized body of the region in which foreign labour will be employed before May 1.

In the regions, the applications are dealt with by interagency commissions comprising of representatives of regional executive agencies (in charge of the economy, employment, education, etc.), territorial bodies of federal executive agencies (migration service, labour inspection) and social partners.

The foreign labour requirements stated by employers are examined taking into account the factors affecting the labour market situation: demography, internal migration, economic development plans, job creation, unemployment, opportunities for optimizing local labour utilization and for accommodating migrant workers.

The employer's application may be turned down or curtailed, if vacancies can be filled by local labour by way of retraining the unemployed or recruiting workers from other regions.

The territorial migration service, and labour inspection bodies, emphasise employers' compliance with the provisions of migration and labour laws. If major violations of the latter have been detected, the application may be turned down.

The lack of housing facilities to accommodate migrant workers could also be a grounds for refusing the application.

The authorized body has to notify the employer that its application has been turned down or curtailed within 10 days of the relevant decision making by the interagency commission. Such decisions may be appealed in a court of law. If the interagency commission granted the application, the authorized body should inform the employer to that effect within one month of the date of decision making.

The quota proposal compiled by regional executive agencies on the basis of employers' applications, approved by the interagency commission, is to be submitted to the Ministry of Health and Social Development before July 15.

On the federal level, the regional quota proposals are examined in joint sessions by representatives of the Ministry of Health and Social Development, Rostrud (Russia's labour and employment service), the Ministry of Economic Development, and the Federal Migration Service (FMS).

Rostrud may propose to reduce the regional foreign labour quota, if available vacancies could be filled by job-seekers from other regions of the country.

Based on the results of joint sessions the Russian Ministry of Health and Social Development prepares a draft resolution of the Government of the Russian Federation setting the following indicators for the coming year:

- The total foreign labour requirement, including in scarce occupations and skill categories;
- The entry quota for foreign nationals invited for employment in the Russian Federation;
- The quota of work permits to be issued to foreign nationals.

The Ministry of Health and Social Development, in consultation with the FMS and the Ministry of Economic Development, is to endorse the allocation of quotas to regions specifying foreign workers' occupations and countries of origin, within one month since the approval of these documents by the Russian Federation Government.

The quota allocation procedure provides for a 30% margin to meet the potential additional requirements of regions. Regional executive bodies can request the Ministry of Health and Social Development to increase the established quota within the limits of the fixed margin.

Besides, the Ministry of Health and Social Development, in consultation with the Ministry of Economic Development, can draw up a list of scarce occupations (professions, positions) for skilled foreign specialists exempt from the quota.

At the same time, the possibility of quota-exempt employment of skilled foreign specialists is available solely for migrants arriving from countries with a visa-free regime of entry. The number of foreign workers from the non-CIS countries is also limited by an entry permit quota.

The following grounds are sufficient for entry of foreign nationals on the list of occupations exempt from quota:

- (1) An acute shortage on the labour market of local workers in a given occupation;
- (2) Employment in a given occupation requiring certain skills, that is, a specialized professional education, knowledge, expertise, etc.

The basis for which the list of scarce occupations on the labour market is compiled primarily is on the regional proposals for foreign labour employment drawn up on the basis of employers' applications.

Russian Federation Government resolution No. 984 of December 29, 2007 defines the following occupation and skill categories as scarce and can therefore be potentially filled by foreign labour:

- Building and assembly, and construction and repair workers;
- Car and engine drivers;
- CEOs and managers;
- Metal and machine-building workers;
- Skilled farm workers;
- Equipment operators, instrumentation workers, machine fitters, etc.

The above-listed occupations are in high demand on the Russian labour market and adequately supplied with local labour. The unskilled occupations, scarce as they are, may not be included in the list.

Information on jobs available to foreign nationals is communicated by the Rostrud to the FMS for forwarding to Russia's missions abroad, and also to the Ministry of Foreign Affairs for forwarding to its consular offices and diplomatic missions.

To sum up, quotas are set on the basis of employers' applications for foreign labour employment. These are examined by regional interagency commissions. A list of jobs open for migrant workers is communicated to regional FMS bodies upon approval of quotas. It should be noted however that the Federal Law on The Legal Status of Foreign Nationals in the Russian Federation does not have any rule whereby the FMS of Russia shall be guided solely by this list in issuing work permits to foreign nationals. Under the 2007 migration law amendments, the employer that does not submit the application for foreign labour employment at the start of the quota filing campaign. The eligible employer may apply to an FMS body and request an invitation for the migrant worker to enter the Russian Federation on a work visa. Introduction of the notification procedure for employment of migrant workers from visa-free countries is based on the presumption that a foreign worker has the right to independently apply to an FMS body for a work permit, and then find a job with any employer of his/her choice.

## 1.2. Basic weaknesses of the existing system of determining foreign labour demand

The labour migration process in Russia begins with an assessment of foreign labour needs and establishment of employment quotas for visa free (CIS except and Turkmenistan) and visa regime countries. The currently methodology however relies largely only on one source of information (employer applications for hiring migrant workers) for assessing labour market needs. Medium



term forecasts, use of administrative records (vacancy data) and more intensive consultation with employer bodies could also be applied in coming up with a more accurate estimate of foreign worker needs. A more accurate estimate of the economy's need for migrant workers will result in more realistic quotas levels. This in turn will reduce the number of workers from visa free countries that turn to irregular employment as a result of unrealistic quota levels.

In addition federal and regional executive agencies have run against a number of problems in implementing new procedures for evaluating employers' foreign labour requirements. There are a number of administrative and technical problems including employers' inadequate knowledge of the system; difficulty of filling in the application forms and the resultant numerous mistakes; the short time allowed for: processing employers' applications, proposals of constituent entities of the Russian Federation, and for informing employers of the decisions adopted by interagency commissions.

The 2007 amendments to the migration law sometimes contradict one another, which sometimes pushes employers into disregarding the law.

Despite the liberalization of the procedures for foreign labour employment, and the introduction of the notification procedure for the employment of migrant workers from visa-free countries, the majority of employers still find it more cost-effective to employ irregular migrants. According to expert estimates, the number of irregular migrant workers in Russia is 5 to 10 million, whereas the 2008 official work permits quota is 1.8 million. On average, only a third of employers hiring migrant workers with work permits, have informed employment services and migration service bodies that they are employing foreign workers. Another ILO study<sup>3</sup> found that some employers are reluctant to participate in the quota formation process (through requests to employ migrant workers) because of the attention it draws from regulatory authorities and subsequent pressures they face.

Some of these issues will be dealt with in more detail below.

## **A) Legislation**

Under Article 18 of the Federal Law, the employer hiring foreign labour from countries with a visa regime shall obtain:

- From an employment office — an opinion justifying the employment of foreign labour;
- From an FMS body — permission to employ foreign labour (upon presentation of the justifying opinion).

This procedure has been in effect since 2002, and its purpose is to ensure compliance with the principle of priority employment of local labour. The employer can not employ a migrant worker without prior contact with the employment service for the purpose of hiring suitable workers from among the registered unemployed.

Today, this requirement is in fact an excessive administrative barrier, as the current quota setting procedure provides for consideration of employers' applications by employment officers within the framework of interagency commissions. The employer's application form contains the application date and the number of available vacancies. The list of grounds for refusal to include the employer's application in the regional proposal on overall foreign labour employment has been established. One of the grounds is the availability of local labour to fill the vacancies, in particular, through training and retraining of the unemployed or hiring workers from other constituent entities of the Russian Federation.

---

<sup>3</sup> Tuyukanova, E. (2009): "Assessment of the design and implementation of the new immigration legislation in the Russian Federation on regularization of migrant workers, reduction of irregular, and the discouragement of employment of irregular workers" in *Regularization and Employers Sanctions as Means towards the Effective Governance of Labor Migration. Russian Federation and International Experience*, ILO, Moscow, 2009.

## ***B) Administrative and technical problems***

### ***1. Lack of knowledge of the process by employers***

Employers are not fully aware of the requirement to submit their applications and of the procedure for collecting them. Hence their low participation in the application filing campaign, as a result of which a large number of employers hiring foreign labour are left unaccounted for.

This situation is due, among other things, to employers' low awareness of the migration law.

### ***2. Difficulty in filling in the application form***

The number of sections in the new application form has increased considerably. It has 34 columns pertaining to each occupational vacancy to be filled by foreign workers. Employers doing this for the first time find it difficult to fill in some of the columns.

The filling in of the form by hand, without the support of up-to-date computer hard- and software (word and table processor) is in fact next to impossible.

### ***3. Errors in filling in application forms***

The need to indicate the code number of different types of economic activities, occupation, country of origin, has caused some difficulty. Many employers found it difficult to deal with voluminous classifications of occupations. The greatest number of errors was made when indicating occupations and countries. When employers could not find the proper code, they invented their own ones which produced problems in application processing.

Another cause of many errors was the obsolete classifications of occupations, and the emergence of new occupations.

For example, in Russia's classification of occupations of industrial and office workers and wage categories the following occupations are absent:

- Concrete form assembler;
- Fitter of plastic windows;
- Chief executive officer;
- Stylist;
- Football player;
- Merchandiser, etc.

### ***4. Lack of feedback in submission of employers' applications***

For employers in remote areas, submitting their applications to the executive agencies of the entities of the Russian Federation may be a problem due to the poor work of the local postal service.

The absence of feedback leaves the employer uncertain as to whether the application has been received by the authorized body at a stated time and accepted for consideration.

### ***5. Time limits on processing employers' applications and the proposals of the constituent entities of the Russian Federation***

Regional authorities (and at a later stage, Russia's Ministry of Health and Social Development) have to process an enormous amount of information submitted by the employers in a relatively short time.

During migration quota setting for 2008, the authorized bodies had to process applications from:

- 3,192 employers (demand for migrant workers — 300,000) in the city of Moscow;
- 2,254 employers (180,000 migrants) in St. Petersburg;
- 130 employers (104,955 migrants) in the Moscow Region;
- 300 employers (28,160 migrants) in Maritime Territory;
- 279 employers (22,560 migrants) in the Yamal-Nenets Autonomous Area.

The authorized body of the Russian Federation constituent entity has to process applications from some 100–3000 companies in the period from May 1 to July 15.

The procedure also involves preliminary verification of the submitted data and their aggregation according to a number of indicators, which requires the use of automation tools.

Employers' applications usually contain numerous errors; however, the authorized body is unable to return the form to the employer to correct the errors for lack of time, and it has either to make the corrections all by itself or ignore the errors and aggregate the applications as they are.

These problems complicate the process of determining the demand for foreign labour employment, and reduce the effectiveness of liberalized migration law, and the measures aimed at promoting the transparency of the procedures.

Executive agencies of the Russian Federation constituent entities take an active part in discussions of migration reform.

In the opinion of representatives of Moscow's authorities, the new rules of labour migration quota setting have made this area more transparent. The number of irregular migrants has decreased 2–3-fold.

However, many migrants who received legal status are not employed officially. According to statistical data for 2007, some 650,000 work permits were issued, yet the number of officially employed migrants was only 207,000.

The Moscow authorities think that work permits should be given not only to foreign workers, but employers as well, and the employers should pay for them. The levy on employers intending to employ manual workers should be higher. The rate should be lower or null for employers inviting high-skilled specialists.

Currently, registration papers, work permits and health certificates for migrants are often issued illegally. In this context, the Moscow City Government is considering the possibility of setting up a "one stop" system for migrants whereby a foreign worker would get his/her registration papers, work permit, and information on vacancies in the Moscow labour market, undergo a medical check and get a health certificate, and register with the tax service.

The Labour Department of the Irkutsk Region proposed a number of amendments to migration law, aimed at improving the system of evaluating the demand for foreign labour in the Russian Federation:

- To make it obligatory for employers to submit applications for migrant labour to authorized bodies of the Russian Federation constituent entities before May 1;
- To include local government bodies in the list of bodies authorized to consider employers' applications, and to amend the legislation compelling these bodies to submit their opinion to the entities of the Russian Federation before June 15;

<ul style="list-style-type: none"> <li>– To allow employers to address the relevant bodies for the documents necessary for obtaining work permits for foreign workers, once a favourable decision has been received from the interagency commission concerning the feasibility of foreign labour employment;</li> </ul>
<ul style="list-style-type: none"> <li>– To extend the time when employers can file applications for additional migrant labour above the set quota, and for changing its occupation and skill structure with authorized bodies of the Russian Federation from May 1 to December 1;</li> </ul>
<ul style="list-style-type: none"> <li>– To reduce from August 15 to April 15 of the current year the time when the Russian Federation Ministry of Health and Social Development should take a decision, in consultation with the Federal migration service, on increasing regional work permit quotas for migrant labour and on adjusting the list of occupation and skill categories subject to quota.</li> </ul>

Based on the results of the analysis, the following measures are proposed to improve procedures for the setting of quotas and admission of migrant workers:

- To delete from Article 18 of the Federal Law on The Legal Status of Foreign Nationals in the Russian Federation the provisions binding the employer to obtain permission for foreign labour employment, and a decision on the feasibility of foreign labour employment; as this has been made redundant as pointed out in section A above.
- To develop and adopt a list of scarce occupations, exempt from foreign labour quotas, in compliance with migration law;
- To state that decision making on reviewing and revising the set quotas, and on changing the occupation and skill composition of work permit quotas, should take place three times within a year (before May 15, August 15 and November 15 of the year for which the quotas were set);
- To expand the efforts aimed at informing employers of the requirements of migration law, making use of outdoor advertising, media and the distribution of information materials;
- To update the existing classifications of occupations and jobs by adding new ones;
- To introduce technical means to automate the process of collection and aggregation of employers' applications for foreign labour employment (for example, the Internet-based Migration quotas automated information system).

The current methodology on setting quotas for migrant workers relies only on one source of information (employer applications for hiring migrant workers) for assessing labour market needs. Medium term forecasts, use of administrative records (vacancy data) and more intensive consultation with employer bodies could also be applied in coming up with a more accurate estimate of foreign worker needs. A more accurate estimate of the economy's need for migrant workers will result in more realistic quotas levels. This in turn will reduce the number of workers from visa free countries that turn to irregular employment as a result of unrealistic quota levels. There is a need to develop a methodology for application in the Russian Federation to more accurately measure foreign labour requirements. In order to make such estimates, it will be necessary to, first, make an assessment of data sources available (both administrative and surveys) at the federal and regional level to serve as a basis for calculation and suggest improvements in data collection where necessary, and second, based on the data sources available as well as international experience, to develop indicators for identifying occupations difficult to fill.

## 2. Labour shortages and foreign labour employment

### 2.1. Occupational and regional structure of labour shortages

Today, the Russian labour market experiences a mismatch between supply and demand of labour in terms of occupations and skills, and skilled workers in certain occupations are in short supply.

This is partly due to the discrepancy between the structure of the vocational training system, and the current and future requirements of the labour market in terms of skill level and occupational makeup of the workforce. Vocational training is focused on higher education.

The structure of basic and secondary vocational training does not meet the requirements of the labour market, so the demand for skilled workers and specialists cannot be met in full.

Today, basic and secondary vocational training is referred to the competence of the Russian Federation constituent entities. This is supposed to adapt the structure of educational services to the needs of regional labour markets. However, the regions are not in a hurry to reform their basic and secondary vocational training system.

Low wages in the public sector, and some segments of the private sector, tend to aggravate imbalances in the labour market.

The low level of payment in these sectors results in the flow of skilled workers to other sectors of the economy. With the result that there is decreased demand for the vocational training of workers in low-paid categories, thus making it impossible to eliminate the labour shortage in the short term.

According to expert estimates, two thirds of companies in the Russian Federation experience labour shortages. Larger companies are hit the hardest.

State-owned companies face the labour shortage least of all (50 %) and the hardest hit are companies in foreign or joint ownership (68 %)<sup>4</sup>.

The background paper Job Atlas is based on the results of monitoring conducted by the Russian Ministry of Health and Social Development.

The monitoring is carried out each year and includes the survey of companies in different sectors in 56 regions of all Federal districts of the Russian Federation. Over five thousand questionnaires were collected and processed in 2006–2007. The surveyed companies are grouped according to three types of ownership: private (35.2 %), joint-stock (33.6 %) and state-owned (26.4 %).

One of the objectives of this survey is to determine the level of availability of skilled personnel in companies and organizations, and to identify the factors influencing the supply of labour (including foreign workers) to meet their needs.

Furthermore, as part of monitoring, some 11,000 representatives of key occupations were interviewed. They were asked to assess the opportunities for their career development, to determine the qualities (level of knowledge, skill and expertise) that a representative of this occupation should possess, what wages he/she could expect to earn, and how well they felt in this occupation and, on the whole, in the given social and psychological environment.

<sup>4</sup> Data from a sample survey of companies commissioned by the Russian Ministry of Health and Social Development as part of Job Atlas production.

According to expert opinions, there are five factors enhancing labour shortages:

- Low wages offered by employers;
- Absence of housing accommodation, available to new employees;
- Graduates of higher educational institutions do not want to work in the speciality they were trained for;
- Arduous working conditions;
- Insufficient numbers of graduates from vocational institutions of basic and secondary level.

In the opinion of the companies, the personnel shortage is connected with the employer's problems (i.e. providing an unattractive offer package), rather than with those of potential workers.

Low wages are most often cited as the main reason for labour shortage by the companies located in the Siberian federal district (61 % of the companies) and the North-Western federal district. This factor is mentioned less by the companies in the Far-Eastern federal district (35 %).

State-owned companies, more often than anyone else, say low wages are the reason for labour shortages (68 %). When commenting upon this survey item representatives of enterprises said that they have extremely limited powers and means to stimulate workers, because "the wages are regulated by the State." Low wages as a factor of personnel shortage is less often mentioned by joint-stock and private companies (46 % and 41 %, respectively). Still more rarely is it mentioned by foreign companies or joint ventures — 18 %.

Difficulties with the required personnel employment due to low wages was an especially acute problem for companies operating in the sphere of communications (86.2 %), transport, education (70 % each), municipal services (68.3 %), public health (62 %) and agriculture (61 %).

On the contrary, this factor was less often mentioned (no more than 30% of companies) in the construction, steel, chemical and mining industries.

Some 15 % of companies experiencing labour shortage associate it with poor development opportunities of the region, district or community where the company is located. This factor was most frequently mentioned in the North-Western federal district (21 % of respondents). Conversely, it was very rarely mentioned in the Volga and Southern federal districts (5 % and 4 %, respectively).

One more reason for labour shortage is the unwillingness of young people to work in occupations they have been trained for. This problem should be treated in broader terms. According to representatives of some companies, there is an ever growing problem of people losing motivation to work — "unwillingness to work in general, irresponsibility and laziness, unhealthy life style."

The above cited data suggest that the issue of labour shortage is linked to internal problems of companies and those of territorial administration. Among the in-house problems we should mention the insufficient attention paid to personnel management, including staff selection, positive stimulation and training, and other related aspects of company operation, such as occupational health and safety.

The issues of regional administration include a favourable climate for active involvement of the employable local population (incentives for labour, promoting a new, more attractive life style, implying labour activity, etc.), and the provision of conditions for the social adaptation of labour migrants.

## 2.2. Key indicators of foreign labour employment in the Russian Federation

The personnel shortages are partially made up by employing foreign workers. During the last three years labour immigration spiralled from 702,500 in 2005 to 1,700,000 in 2007. The 2008



quota of work permits to be issued to foreign nationals was fixed at 1,828,245; the quota of invitations to foreign nationals to enter the Russian Federation for the purpose of employment was 672,304 (for the nationals of the countries with a visa regime).

The problem of supplying labour-deficient regions with skilled workforce may be addressed by implementing a programme of repatriation of former compatriots. But the numbers of such workers will be far from sufficient.

The demand for low-skilled labour of foreign nationals, (who make less claims for high wages, safe working conditions, social and medical insurance and adequate housing), remains high, benefiting Russian employers.

So, the current situation in the labour market will encourage increased foreign labour employment.

Most foreign workers arrive in the Russian Federation on a visa-free basis from such countries as Uzbekistan, Ukraine, Tajikistan, Moldova, Kirghizia, and Azerbaijan.

The majority of migrant workers, who arrive in the Russian Federation from non-CIS countries, come from China, Turkey, Korea, and Vietnam (see Table 1). Today foreign workers from 137 countries are employed in the Russian Federation.

**Table 1.** Distribution of foreign labour by country of origin

<b>Country</b>	<b>Number of foreign workers</b>
<b><i>CIS countries</i></b>	
Uzbekistan	344559
Ukraine	209301
Tajikistan	250190
Moldova	93700
Kirghizia	109643
Armenia	73436
Azerbaijan	57562
Kazakhstan	7561
Turkmenia	2081
Georgia	4753
<b><i>Other countries</i></b>	
China	228848
Turkey	131248
People's Democratic Republic of Korea	32634
Vietnam	79784
Serbia	17454
Montenegro	
United Kingdom	5030
Bosnia and Herzegovina	5017
Philippines	5118
United States	4775
Republic of Korea	1786
Republic of Macedonia	1147
Poland	1087

India	4704
Lithuania	2805
Netherlands	2494
Germany	4190
Finland	1609

*Source: Data from the Federal Migration Service Year Book on Monitoring of legal migration for 2007.*

In most regions of the Russian Federation evergrowing numbers of labour migrants are employed in such sectors as construction, motor transportation, manufacturing, etc. According to the FMS, the number of work permits issued in Moscow in 2007 grew 90.9% in the construction sector, 56.5% — in transport, 75.6% — in municipal services, 61.5% — in trade as compared to the same period of the previous year.

Migrant workers are employed in over 2,600 occupations and jobs. The demand is the greatest for manual workers, bricklayers, farm workers, plasterers, carpenters and house painters. The demand is lower for vegetable growers and gardeners (see Table 2).

**Table 2.** Distribution of foreign labour by occupation

<b>Occupation</b>	<b>Number of foreign workers, thousand</b>
Manual workers	168
Bricklayers	104
Plasterers	71
Concrete workers	59
Carpenters	50
House painters	48
Car drivers	39
Vegetable farm workers	38
Steel fixers	32
Loaders	29
Managers	27
Assemblers	24
Tillers	19
Commercial agents	17
Electrical/gas welders	12
Sales managers	12
Cooks	12
Cleaners of production and office premises	10
Steel and concrete structure erectors	10
Salesmen	10
Roadworkers	9
Sweepers	9
Maintenance technicians	8
Steel fixers	8
Engineers	8
Plumbers	7
Sewers	7



Joiners	7
Street cleaners	7
Maintenance workers	6

*Source: Data of the Ministry of Health and Social Development of the Russian Federation (based on employers' applications for migrant workers in 2008).*

The greatest demand for migrant workers is in the regions where dynamic economic and industrial growth is observed, or where new mineral deposits are developed, which calls for the employment of additional labour. Those areas include: the cities of Moscow and St. Petersburg, Moscow Region, Krasnoyarsk Territory, Sverdlovsk, Irkutsk, Novosibirsk, and Chelyabinsk regions.

Foreign nationals, who need a visa to enter the Russian Federation, are employed mainly in the Central, Urals, Siberian and Far-Eastern federal districts. The constituent entities of the Russian Federation which employ significant numbers of foreign labour include: Krasnoyarsk Territory, Maritime Territory, Khabarovsk Territory, Sakhalin, Chita, Tyumen and Irkutsk regions, as well as the Moscow Region, the cities of Moscow and St. Petersburg (see Table 3).

**Table 3.** Employment of foreign workers arriving under a visa regime

Region	Number of foreign workers who arrived in the Russian Federation under a visa regime	
	thousand	% of the total number
Maritime Territory	28	99.4
Jewish Autonomous Area	5	98.9
Chita Region	18	97.0
Amur Region	16	95.3
Karachay-Cherkess Republic	0.2	93.1
Republic of Buryatia	12	92.1
Kabardino-Balkarian Republic	0.3	88.6
Republic of Dagestan	0.5	84.8
Republic of North Ossetia-Alania	0.3	82.5
Khabarovsk Territory	24	77.5
Sakhalin Region	24	75.1
Stavropol Territory	2	69.7
Republic of Mari El	0.4	66.7
Krasnoyarsk Territory	15	63.2
Kurgan Region	0.9	62.5
Kamchatka Territory	0.7	62.0
Udmurt Republic	2.7	61.3
Republic of Tyva	0.2	61.3
Republic of Kalmykia	0.3	55.1

*Source: Data of the Ministry of Health and Social Development of the Russian Federation (based on employers' applications for migrant workers in 2008)*

Foreign nationals who arrived in the Russian Federation on a visa-free basis are employed mainly in the Central federal district; fewer workers are employed in the Ural, Siberian and Far-Eastern federal districts (see Table 4).

**Table 4.** Employment of foreign workers arriving on a visa-free basis

Region	Number of foreign workers who arrived in the Russian Federation on a visa-free basis	
	thousand	% of the total number
Belgorod Region	11	98.7
Ulyanovsk Region	4	97.4
Arkhangelsk Region	3	96.7
Orel Region	2	96.7
Chuvash Republic	1	96.6
Ryazan Region	31	96.3
Republic of Komi	3	93.9
Novgorod Region	2	93.6
Orenburg Region	8	93.0
Kirov Region	2	92.5
Smolensk Region	2	91.3
Republic of Altai	0.5	90.7
Moscow Region	92	88.3
Voronezh Region	5	88.1
Omsk Region	10	87.4
St. Petersburg	113	86.6
Tver Region	2	85.1
Penza Region	4	83.9
Yaroslavl Region	5	82.8
Kursk Region	1	82.8
Samara Region	12	82.2
Leningrad Region	12	80.8
Astrakhan Region	12	80.6
Republic of Kareliya	1	80.3
Bryansk Region	0.9	80.2
Nenets Autonomous Area	1	78.8
Khanty-Mansy Autonomous Area	18	78.2
Tomsk Region	3	77.3
Pskov Region	1	77.3
Volgograd Region	10	75.1
Lipetsk Region	9	74.9

*Source: Data of the Ministry of Health and Social Development of the Russian Federation (based on employers' applications for migrant workers in 2008)*

Territorial distribution of migrant workers depends on the geographical location of regions. Employers in the Far-Eastern or Siberian federal districts find it more profitable to employ migrants from China, Vietnam and the Peoples' Democratic Republic of Korea than workers from the CIS countries.

Therefore foreign workers (from outside the CIS) are employed in all regions of the country, and in each of 31 constituent entities of the Russian Federation their number exceeds 10,000.

As was noted above, one of the major problems of employing foreign labour is irregular labour migration. According to expert estimates, the shadow sector of the economy harbours about 5 to 10 millions of migrants.

To sum up, in this section the regional, sectoral and occupational labour shortage pattern was reviewed, including the gaps filled by migrant workers.

The main reasons for staff shortages and employment of migrant workers are:

- Unwillingness of Russian workers to do certain jobs because of the low quality of workplaces (low pay, hazardous and dangerous working conditions, high risks of occupational diseases, hard and unskilled labour);
- Absence of workers of necessary skills due to: the loss of linkage between the labour market and the market of educational services, insufficient occupational guidance, low occupational and territorial mobility of labour.

Vacancies are actively filled by migrant workers in the construction sector where bricklayers, plasterers, concrete layers, carpenters, house painters are in great demand. Migrants are also widely employed in agriculture, transport, and trade.

The majority of migrants are employed as manual or unskilled workers. Many migrants, however, hold jobs requiring specialized basic or secondary education (welders, mechanics and cooks).

Introduction of new technologies is accompanied by employment of highly-skilled foreign specialists (technologists, mechanical and electrical engineers), mainly due to lack of local experts in the labour market.

The up-scaling of labour immigration, and the widening of its regional, sectoral and occupational pattern, calls for an effective system of monitoring and assessing regional labour supply — which is necessary for an effective management of migration flows.

The next section covers the issues of methodology and informational and statistical tools to assess the employers' labour requirements.

### 3. Review of the statistical information related to the evaluation of foreign labour employment requirements

#### 3.1. Methodological principles of determining the labour supply sufficiency

Continuous monitoring of the economic and occupational labour demand and supply structure is required to evaluate the level of regional labour supply, and the economy's need for foreign workers.

Demand for labour is the employers' aggregate labour demand. It consists of the number of actually employed workers, and the number of those needed to fill the vacant positions. In forecasting, the aggregate demand means the overall need for workers, or the required number of employees.

Demand for labour is determined by the dynamics of the number and structure of jobs, which are characterized by the following processes:

- Job development and upgrading;
- Closure of redundant or inefficient jobs;
- Creation of new jobs.

The current demand for labour in the labour market is determined by the number of workers needed to fill vacant positions.

When assessing future needs, the current demand may be represented as an additional requirement for workers, due to:

- Creation of new jobs;
- Making up attrition not related to the closure of jobs.

The occupation and skills structure of the demand for labour means the requirements of employers concerning educational level, professional skills and work experience.

The additional demand for workers, or the current demand, is satisfied by the current availability of labour.

The availability of labour is formed by the population entering the labour market:

- The unemployed;
- Working persons wishing to change the job;
- Graduates of general education schools and institutions of vocational training;
- Other persons who have decided to begin labour activity or renew it after a long break.

When assessing the supply of labour in a regional or local labour markets one should also take into account the persons arriving from other territories (internal migration) and persons dismissed from the military service.

The occupation and skills structure of labour supply can be represented by the educational level, occupation (speciality) and work experience of job-seekers.

### 3.2. Identification of the occupation and skills structure of labour supply and demand

The issue of comparability and completeness of statistics (characterizing the occupation and skills composition of supply and demand in the labour market) is the key to evaluating the need in labour resources, foreign labour included.

The core criteria for selecting the necessary statistical indicators are: measurability, observability (presence in statistical reports), and comparability.

The relevant indicators should refer to skills levels, occupational groups, types of economic activity.

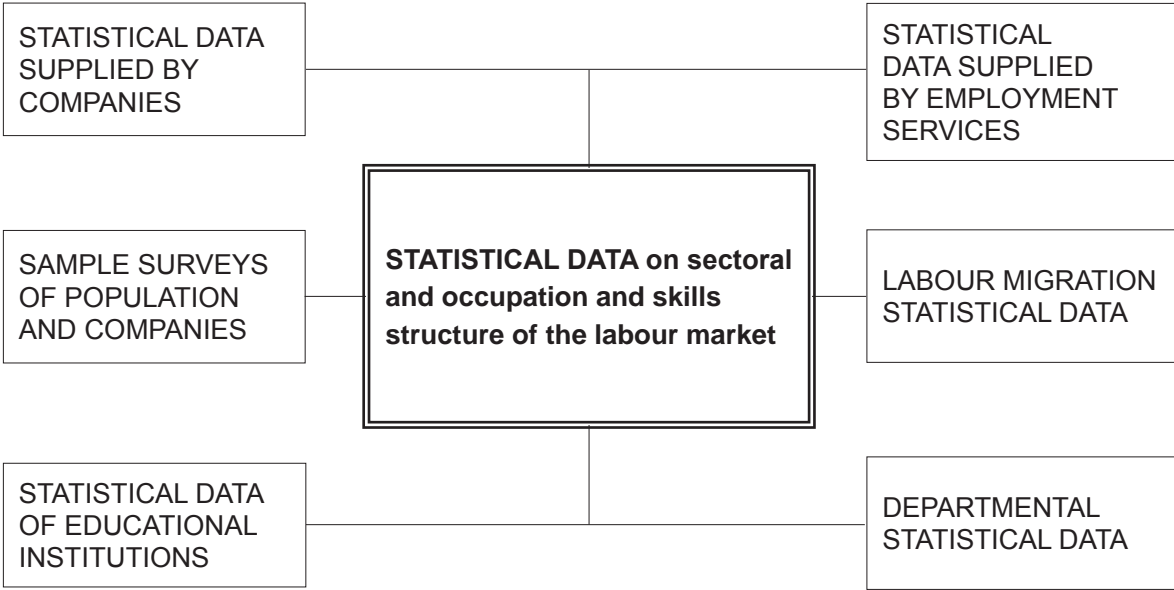
The comparability of generalized indicators obtained from various sources is ensured through the use of approved classifications (by economic activities, occupations, trades, etc.).

Assessment of the labour market's occupation and skills structure should be based on the sectoral, and occupation and skills structure:

- Employed population;
- Vacancies;
- Labour supply.

To identify demand trends and dynamics by occupation skills level and occupational group, retrospective data time series for previous years should be available.

The information database for assessing the occupational and skills composition of supply and demand in the labour market includes statistics supplied by companies, employment sample surveys (Rosstat), statistics of the employment service, sample surveys within the framework of the All-Russia Population Census, statistics of educational institutions, etc. (see Figure 3).



**Figure 3.** Information and statistical database of the labour market sectoral and occupation and skills structure

The source of information about the sectoral and occupational and skills structure of labour demand of companies (vacancies) is the statistics supplied by companies, employment offices (registered vacancies) and labour migration statistics (foreign nationals working in Russia).

Indicators of the sectoral and occupational structure of the potential workforce supply in the labour market include the indices measuring:

- Sectoral (the last place of employment) and occupation and skills structure of the unemployed (according to ILO methodology) (data of employment sample surveys);
- Structure of economically inactive population wishing to work (data of employment sample surveys);
- Structure of the unemployed in the regular labour market (statistical data of the employment service);
- Structure of graduates of vocational training institutions of all levels;
- Structure of internal and external migrants, foreign workforce (Rosstat statistics, FMS departmental statistics) etc.

Table 5 in the Appendix presents the statistical makeup of labour supply and demand indicators by types of activity, occupation groups, education level, skills and occupation in state statistical forms.

The analysis of statistical reports has shown quite a few limitations, reducing their value for the purpose of assessing the labour market supply and demand:

- The occupation and skills structure of the working population in the integrated groups of the *All-Russian classification of occupations* (the Rosstat sample employment survey) refers only to the economy as a whole and is not disaggregated by regions.

This prevents tracking changes in the occupational mix in different sectors. Therefore, it is difficult to analyse the occupational and regional aspects of employment.

- The occupation and skills structure of the unemployed (according to the last place of work) and that of the economically inactive population wishing to work (the Rosstat employment surveys) have not been disaggregated by regions with respect to the integrated groups.
- Data on the personnel turnover and structure of vacancies at large, and medium-size companies, are not disaggregated by regions or occupations (occupation groups).
- Data on the newly created jobs are limited to general figures relating to Russia as a whole, sectors and regions, which prevents identification of the occupation and skills groups, to which new jobs refer.
- The departmental statistics of the employment service provides data on demand for personnel to fill vacant positions specified by types of activity and categories of personnel, with vacancies for workers treated separately.

The data on vacancies are not divided into occupational groups. There is also no data concerning the structure of the unoccupied population and the unemployed, having work experience, by type of activity and occupation.

Furthermore, information on the labour wanted, communicated to the employment service, cannot be used as a basic source of information for the analysis, as it does not fully reflect the actual structure of demand.

The data on registered unemployment differ significantly from the findings of employment surveys, conducted by Rosstat.

- The statistical data on the number of graduates from educational institutions poorly correlate with other indicators, characterizing the structure of supply and demand on the labour market.

To ensure comparability of structural indicators of the demand for labour (working population, vacancies), and the structure of graduates of vocational training institutions, a table should be compiled to show the correlation between subgroups, and composite groups of occupations with groups of graduates' specialities.

This review of the information and statistical database has demonstrated that the available statistics do not meet the criteria of completeness and comparability, which is a serious obstacle to assessing the labour market situation in terms of the conformity of the workforce occupation and skills structure to the labour needs of economic sectors, as well as to assessing the labour deficit.

Sample surveys of companies using sociological techniques could help overcome this gap.

## 4. International Experience

Some of the findings and conclusions drawn from the ILO commissioned study on international experience, (when assessing and forecasting labour market requirements with regards to migration policy and planning), are applicable in the Russian Federation as well<sup>5</sup>. These are highlighted below.

**1. Labour immigration forecasting and planning** should be situated in the context of an **overall immigration policy** with clearly defined goals and objectives. The authors identified five country-specific factors that may condition the choice of immigration policy goals and tools.

- **Structural socioeconomic factors** (mainly, the economic situation) are crucial in determining whether immigration can take place and of what kind, as well as which specific immigration policies should be adopted and how their effectiveness may be conditioned.
- **Geography and geographical position** have an impact, too. From one side the shape of land-locked countries is very different from the situation of countries — such as Italy and Spain — with prevailing coastal borders.
- **International relations** factors concur in determining specific immigration policies and their effectiveness.
- If and how the ideas and perceptions of **public opinion and interest groups** upon migration affect immigration policy differs across countries as well as across groups. Furthermore, it depends on the importance of public opinion and attitudes, and the way it is developed and interacts with political decisions in different contexts. Here, we can also include the **political input**. In fact, the political sign of the government in power may play a significant role in the design and implementation of immigration policy.
- The uniqueness of a given immigration context is not the immigration itself but its magnitude, and speed of change and composition, which are somehow determined by the prevalence of long-term or short-term, pro-active or reactive nature of immigration policy.

Providing that immigration goals and policy priorities have been clearly identified, the measurement of foreign labour needs is the next step to be dealt with. A comprehensive approach is necessary. Immigration is a complex and multifaceted phenomenon. As stated above, labour migration planning should take into consideration other aspects than purely economic ones: security, foreign relations, political and public opinion issues, etc. For this, it is necessary that authorities have clearly-defined objectives which allow for identifying the top priority of the moment, and determining the weighting for the different immigration criteria.

**2. Coordinating Body:** The first prerequisite for a comprehensive policy is the setting up of a coordinating body such as a Division of Immigration Planning which should be organized in a proper way. The linkages between immigration policy, external relations with countries of origin of immigration flows, security policy, social policy, labour market policy, education policy, and fiscal policy ought to be more closely integrated in order to face problems of coordination across jurisdictions. A coordinated and coherent policy is crucial. Coordination among different governance levels,

---

<sup>5</sup> Zuppi M. and E. Estruch “Italian and Spanish Experience on practical methods for assessing and forecasting labour market requirements for migrant workers” in *Review of Approaches in measuring the need for migrant workers and labour migration planning, Russian Federation and International Experience*, ILO, Moscow, 2009.



among different policy areas (foreign affairs (visas), labour market (work permits), social (housing, education, health, etc) and interior (security). Furthermore, a one-stop immigration agency can facilitate the coordination of all actors involved in the process, as well as increasing transparency in the procedures and information systems.

In addition, one possibility might be to establish a non-departmental public body, which shall provide transparent and independent guidance to the government. An example could be UK's Migration Advisory Committee.

**3. Fixation, based on time horizon priorities, of Objectives, Targets and Priorities.** An immigration policy must lay down a couple of specific objectives. Based on them, the next step is to fix quantitative global and sectoral targets and priorities for achieving the laid down objectives. Global and sectoral targets should be mutually consistent in order to attain the objectives, and this requires determining priorities. Priorities should be laid down on the basis of the short-term and long-term needs of the state, keeping in view that both a short and a long term context are important and legitimate: although interlinked, they are not necessarily convergent in terms of immigration policy implications. A sound governmental immigration policy consists of establishing intelligent priorities, and formulating a sensible and consistent set of political instruments and programmes to address. It is likely that political factors shall ultimately condition priorities, and the weights given to these targets. Nonetheless, it is essential that global and sectoral targets are clearly defined in such a way that they can be translated into operational and measurable terms. Specific efforts should be targeted to the issue of labour migration to fill labour and skill shortages. Significant efforts should then be devoted to defining when an occupation is to be considered skilled, when it is experiencing shortage and, importantly, when it is sensible to be filled with migrant labour<sup>6</sup>.

**4. Statistical Data.** A prerequisite for sound policy is a thorough survey of the existing total available material, capital and human resources of the country together with its deficiencies. For improving data for the study of immigration, the collection, accumulation, and tabulation of reliable, accurate and timely statistical information on immigration is a basic responsibility. A review should also be initiated of all data-gathering activities to eliminate duplication, minimize burden and waste, review specific data needs and uses, standardize definitions and concepts, document methodologies, introduce statistical standards and procedures. Based on this, it is important to review the role of the census, the cornerstone of the nation's statistical information on the population, in providing immigration data; to add contextual data as local unemployment rates, and current as well as longitudinal and special purpose immigrants surveys using micro-level data. In such a way, the results of macro-level and micro-level studies complement each other.

Typical data limitations encountered when dealing with labour market assessment for the purposes of migration planning are: limited levels of disaggregation, time lags in the data, and lack of counterfactuals. Furthermore, on some occasions, weighting of indicators and cut-off points may respond to political choices, rather than economic reasons.

Top-down information may be complemented with bottom-up information obtained from ad hoc surveys (e.g. employer survey), where relevant, and consultations with main stakeholders.

Clear, transparent and accountable information systems are necessary to identify in a timely manner labour market needs, but also estimate absorption limitations. Information systems and indicators should be designed so that there is no room for discretionary interpretation of indicators.

**5. Mobilisation of resources.** A policy fixes the public sector outlay for which (financial and human) resources are required to be mobilized at national and sub-national levels.

---

<sup>6</sup> Metcalf, D. (Coord) and D. Coyle, M. Ruhs, J. Wadsworth, R. Wilson (2008): "Identifying skilled occupations where migration can sensibly help to fill labour shortages", Migration Advisory Committee, UK, quoted in M. Zuppi and E. Estruch (2009).



**6. Efficient Administration.** An adequate, competent and efficient administration is a *sine qua non* of successful policy. Without such administrative machinery, immigration policy has no *locus standi* in a country. The issue of an understaffed administration is one of the main problems in translating policies into operative actions. The secret of effective policy lies more in good public administration and its sensible politics.

Linked also to the fourth point, significant resources should be devoted to monitoring and evaluating on-going processes, especially at the stage of migration policy implementation. It should be ensured that discretionality at this stage is minimal, and that administrative tasks are performed in a transparent, accountable and coherent manner. This will have relevance within those administrations with high levels of decentralisation, and in contexts that face problems of informal economy and higher risk of corruption.

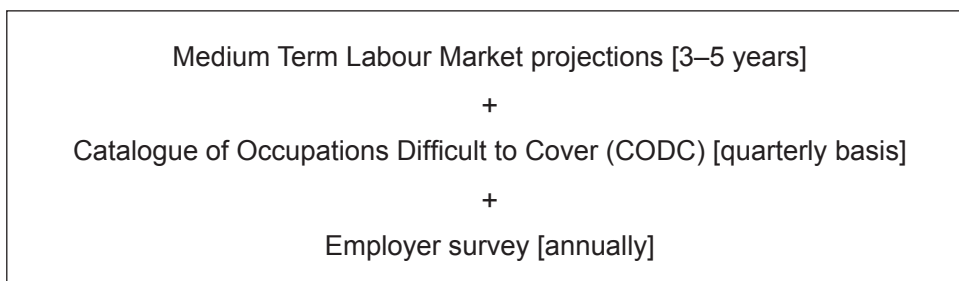
#### ***A Tentative Model for Assessing the Demand for Foreign Workers and Labour Migration Planning***

The measurement of foreign labour needs is the next step to be dealt with, providing that immigration goals and policy priorities have been clearly identified. Exclusively relying on employers' hiring intentions may lead to biased estimates of labour shortages. Hence, information on the labour market should also contain information on the evolution of domestic labour supply (participation, employment and unemployment), including demographic concerns as well as education and occupational trends.

Specifically, a possible solution to gather information about future labour market needs for migration planning would be to combine medium-term (3–5 years) labour market projections (of the type suggested by the special studies) to be streamlined, to allow for regional and sectoral/occupational disaggregates. These estimates shall already account for demographic evolution, but they should also take into consideration that methodological refinements may require periodical revision of the past series.

Such forecasting exercise should then be complemented with an instrument like the Spanish Catalogue of Occupations Difficult to Cover (CODC) (based on administrative archives of the system of public employment services and a consultation to social partners). It allows for a continuous monitoring of labour market dynamics. It accounts for labour supply and demand side variables, as well as for internal mobility, and reaches a significant level of detail in terms of occupational structure.

Additionally, an annual employer survey, such as the Italian Excelsior, could also bring relevant information based on a representative sample. Specifically, following the Excelsior model, the methodology should be designed so as to collect representative local labour market features as well as particularities of sectoral and occupational structures across regions. This instrument, as well as the CODC, should be performed on a regular basis in view of collecting information about labour needs on a continuous basis.



Information on labour market needs gathered through this integrated system should provide details on skills and structural labour shortages, distributed across the territory. The next step, considering immigration policy goals, would be to determine a series of criteria to identify those sectors and skills which are suitable to be filled with migrant workers. In this sense, a pro-active

migration policy should be pursued which assesses both qualifications (labour market needs) and adaptability (socio-economic absorption capacity) of potential immigrants.

Socio-economic elements should complement these labour market criteria. Here, the administration can set a series of criteria that potential migrants should fulfil so as to ensure a steady and successful integration to the host society (i.e. smoothen risks of pressure on local socio-economic systems). Absorption capacity should consider also local socio-economic features, such as sufficient and adequate housing capacity, pressure on public services, etc. A proper allocation of resources to public services (health care, education, social assistance, security, etc.) is essential, because a sharp rise of population concentrated in a few regions or towns may lead to bottlenecks, and local systems may come to a standstill. Likewise, unavailability of housing (neither rent nor property), for instance, because of unaffordable prices or being unsuitable for inhabitation, may result in the creation of marginalised areas in urban areas, and related issues as regards to urban management and security/stability. Weighting assigned to the different criteria (labour and socio-economic) shall be determined according to immigration policy goals, as well as main relevant objectives in other policy areas.

Ultimately, bearing in mind the permanent shortages scenario, which is expected to gain relevance in the near future, (and also considering the Italian and Spanish cases), the migrant workers that most likely will contribute to match labour and skills shortages, and with the best chances of integrating, are probably those who have greater adaptability to changing conditions, as a result of their qualifications, experiences and personal abilities. Therefore, in cases such as the Italian and Spanish in which foreign workers are to be recruited from abroad, selection procedures in the countries of origin become key elements for the future functioning of the national labour migration schemes. Moreover, integration policies should be addressed as a main pillar of immigration policies where growing shares of migrants are stabilizing in host countries, as it is happening in Italy and Spain.

## Conclusions and recommendations

The analysis of amendments to migration legislation of the Russian Federation has demonstrated that the procedure for determining the demand for employing foreign workforce has become more formalized and transparent. The labour migration process in Russia begins with an assessment of foreign labour needs and establishment of employment quotas for visa free (CIS except Turkmenistan) and visa regime countries. The current methodology however relies largely only on one source of information (employer applications for hiring migrant workers) for assessing labour market needs. Medium term forecasts, use of administrative records (vacancy data) and more intensive consultation with employer bodies could also be applied in coming up with a more accurate estimate of foreign worker needs. A more accurate estimate of the economy's need for migrant workers will result in more realistic quotas levels. This in turn will reduce the number of workers from visa free countries that turn to irregular employment as a result of unrealistic quota levels. The introduction of new quota allocation regulations has also given rise to some organizational and technical problems, due to a more sophisticated application form, and greater volumes of information to be processed. There are also some contradictions in the legislation.

In this context it is necessary to adopt the following measures to improve the procedures for migration quota setting and admission of migrant workers:

- Deleting from Article 18, of the Federal Law on the Legal Status of Foreign Nationals in the Russian Federation, the provisions obligating the employer to obtain a permission to employ foreign workers, and obtain an expert opinion justifying the employment of foreign workers — as this procedure has already been performed at the time of making employer requests.
- Compiling and adopting, in accordance with migration legislation, a list of priority occupations for foreign workers.
- Ruling that decisions to revise the established quotas and/or adjust the occupation and skills structure of quotas for issuing labour permits to foreign nationals can be taken three times within one year (before May 15, August 15 and November 15 of the year, for which the quotas are set).
- Making greater efforts to inform employers about the requirements of migration legislation through outdoor advertising, the media and distribution of information materials;
- Updating the old classification of occupations and positions and including in it newly emergent occupations.
- Putting in place software that can facilitate the compilation and aggregation of employers' applications for employing foreign workforce.

The main reasons behind the workforce shortage and employment of migrant workers are:

- The reluctance of Russian workers to occupy low-quality jobs (low pay, hazardous and dangerous working conditions, high risks of occupational diseases, heavy physical and unskilled labour).
- Lack of personnel with the required skills due to loss of interrelation between the labour market and the market of educational services, insufficient occupational guidance of the population, low occupational and territorial mobility of labour.

The worker shortage is being filled most dynamically in the construction sector, where demand for masons, plasterers, concrete layers, carpenters and painters is particularly high. Migrants are also employed in agriculture, transport and trade.

The greatest number of foreign workers are employed as labourers, engaged in unskilled labour. However, a significant share of migrant workers are engaged in jobs requiring basic or secondary specialized training (welders, mechanics and cooks).

The start-up of new industrial facilities calls for the employment of certified foreign specialists (technologists, mechanical and electrical engineers), mainly due to the shortage of national specialists on the labour market.

The increased scale of labour immigration, expansion of its regional, sectoral and occupational structure calls for the introduction of an effective system for assessing workforce availability in the regions to regulate migration flows.

Efforts to determine the sufficiency of workforce supply and demand for foreign workers should be based on the study of the structure of labour demand and supply by occupation categories and occupation groups.

Comparability and completeness of statistical data characterizing the occupational and skills structure of supply and demand in the labour market is the key to an effective assessment of workforce supply in the regions.

However, the analysis of statistical reports has demonstrated that they have numerous shortcomings, making it difficult to use their data for the purpose of evaluating the supply and demand situation in the labour market.

One of the ways to resolve the problem could be sample surveys of industrial facilities.

International experience, as assessed in a study commissioned by ILO Moscow, provides some useful pointers for the Russian Federation, which has only recently embarked on attempting a more systematic assessment of the demand for foreign workers. These have been elaborated in the previous chapter. The tentative model for assessing the demand for foreign workers and labour migration planning provides a good framework that can be applied in improving the accuracy of the current quotas and employer-based job lists in the Russian Federation. The current methodology on setting quotas for migrant workers largely relies only on one source of information (employer applications for hiring migrant workers) for assessing labour market needs. Medium term forecasts, use of administrative records (vacancy data) and more intensive consultation with employer bodies could also be applied in coming up with a more accurate estimate of foreign worker needs. There is a need to develop a methodology for application in the Russian Federation (RF) to more accurately measure foreign labour requirements. In order to make such estimates, it will be necessary to, first, make a comprehensive assessment of data sources available (both administrative and surveys) at the federal and regional level to serve as a basis for calculation, make improvements in data collection where necessary, and second, based on the data sources available as well as international experience, to develop indicators for identifying occupations difficult to fill.

# Appendix

**Table 5.** Statistical indicators of the labour supply and demand structure and labour mobility

Name of the form	Indicators	Structuring criteria
No. 1-t "Headcount and remuneration data by occupation"	Average staffing number	Key types of economic activity (groups according to the OKVED sectoral classification)
No. P-4 "Information on headcount, remuneration and worker turnover"	Average number of payroll workers: external second-job holders; contract workers	Key types of economic activity (large and medium-size companies, in conformity with OKVED groups)
--	Payroll workers: <ul style="list-style-type: none"> <li>• working part-time on the initiative of the management;</li> <li>• on unpaid or partially paid leave on the initiative of the management</li> </ul>	Key types of economic activity (large and medium-size companies, in conformity with OKVED groups)
--	Personnel turnover: number of hired workers, including: those taking up newly created jobs Number of dismissed workers, including: <ul style="list-style-type: none"> <li>• personnel reduction;</li> <li>• mass dismissals;</li> <li>• voluntary withdrawal</li> </ul>	Key types of economic activity (large and medium-size companies, in conformity with OKVED groups)
--	Number of vacancies (required number of workers)	Key types of economic activity (large and medium-size companies, in conformity with OKVED groups)
No. PM "Data on key performance indicators of a small business"	Average number of workers: <ul style="list-style-type: none"> <li>• payroll;</li> <li>• external second-job holders;</li> <li>• contract workers</li> </ul>	Key types of economic activity (according to OKVED)
Questionnaire of the employment sample survey. Statistical report compiled on the basis of survey findings	Number of respondents in the sample multitude, employed or unemployed (the microdata on the sampling)  Economically active population in the Russian Federation and RF constituent entities (extrapolated to the entire multitude)	<ul style="list-style-type: none"> <li>• sex;</li> <li>• age (10 groups);</li> <li>• location (city, village);</li> <li>• main occupational groups (15 groups, according to OKVED);</li> <li>• occupation (28 occupational groups, according to All-Russia Classification of Occupations (OKZ)).</li> </ul>

Questionnaire of the employment sample survey. Statistical report compiled on the basis of survey findings	<p>Number of employed respondents in the sample multitude (sample microdata)</p> <p>Number of the employed in the Russian Federation and RF constituent entities (extrapolation)</p>	<ul style="list-style-type: none"> <li>• sex;</li> <li>• age (10 groups);</li> <li>• location (city, village);</li> <li>• main occupational groups (15 groups, according to OKVED);</li> <li>• occupation (28 occupational groups, according to OKZ).</li> </ul>
--	<p>Number of unemployed respondents in the sample multitude (ILO methodology) (sample microdata)</p> <p>Number of the unemployed (ILO methodology) in the Russian Federation and RF constituent entities (extrapolation)</p>	<ul style="list-style-type: none"> <li>• sex;</li> <li>• age (10 groups);</li> <li>• location (city, village);</li> <li>• duration of search for a job (6 groups);</li> <li>• main occupational classification groups (15 categories, OKVED) according to the last place of work;</li> <li>• type of activity (9 OKZ groups) according to the last place of work.</li> </ul>
--	<p>Number of unemployed respondents in the sample multitude (ILO methodology) (sample microdata)</p> <p>Number of the unemployed (ILO methodology) in the Russian Federation and RF constituent entities (extrapolation)</p>	<ul style="list-style-type: none"> <li>• sex;</li> <li>• age (10 groups);</li> <li>• location (city, village);</li> <li>• duration of search for a job (6 groups);</li> <li>• main occupational classification groups (15 categories, OKVED) according to the last place of work;</li> <li>• type of activity (9 OKZ groups) according to the last place of work.</li> </ul>
--	<p>Number of respondents in the sample multitude, who are not considered as employed or unemployed (sample microdata)</p> <p>Number of economically inactive population of working age in the Russian Federation and RF constituent entities (extrapolation)</p>	<ul style="list-style-type: none"> <li>• sex;</li> <li>• location (city, village);</li> <li>• occupation (9 OKZ groups) in the last place of work.</li> </ul>
Statistical report compiled on the basis of the employment survey findings	General unemployment level (ILO methodology), percentage of the economically active population	<ul style="list-style-type: none"> <li>• age (10 groups);</li> <li>• location (city, village);</li> <li>• main occupational classification groups (15 sections, OKVED);</li> <li>• occupation (9 OKZ groups).</li> </ul>
No. 2-T (job placement) "Information on public services to promote employment"	Demand for workers to fill free positions (vacancies), reported to employment agencies (number), including those with remuneration above the minimum wage in the RF constituent entity	Main occupational classification groups (17 groups, OKVED), and categories of personnel (with separate data on vacancies for skilled workers)

--	Number of persons who have applied for assistance in search for a suitable job	Having or lacking work experience, including categories of personnel: • manual worker • specialist or office worker • first-time job-seekers (new entrants in the labour market)
--	Persons recognized as unemployed	Educational level (basic general, secondary (complete) general, basic vocational, secondary vocational, higher vocational, without basic general education)
--	Persons from among educational institution graduates, recognized as unemployed	Educational level (higher vocational, secondary vocational, basic vocational)
--	Citizens recognized as unemployed, who have undergone vocational training on the referral of the employment office	Categories of personnel (workers, specialists)
No. 2-T (migration) "Data on the number and structure of foreign workforce"	Number of foreign nationals working in Russia	Basic occupational classification groups (13 groups and 9 subgroups, OKVED)
No. D-11 "Data on students undergoing pre-vocational and vocational training in daytime general educational institutions"	Number of students in grade 11 (12), who have passed qualification exams	Separately — worker trades, positions of office workers (according to the OKPDTR occupational classification), common for the entire economy and 16 subsectors of the economy in urban and rural settlements
No. 2 (VocTrain) "Data on graduates from daytime educational institutions, teaching basic vocational training curricula"	Number of graduates with initial vocational training: • referred for job placement in organizations; • free to seek employment on their own	15 sections and 47 subsections of OKVED
No. 5 (VocTrain) "Data on graduates from daytime educational institutions, teaching basic vocational training curricula in certain occupations"	Number of graduates with initial vocational training	Worker trades and positions of office workers (according to OKPDTR), common for the entire economy and the relevant industries (OKVED)
No. 2-NK "Information on a public or municipal specialized secondary education institution, teaching secondary vocational education curricula"	<b>The actual number of graduates</b> , receiving a certificate of education in the period between October 1 of the previous year and September 30 of the current year	Educational level (basic vocational, secondary vocational, basic, higher and secondary vocational) Profession by education (according to OKSO classification of professions)



No. 2-NK (NEI) "Data on training specialists at a non-secondary vocational education institution"	<b>The actual number of graduates</b> who have received a certificate of education in the period between October 1 of the previous year and September 30 of the current year	Educational level (basic vocational, secondary occupational, basic, higher secondary vocational) Professions by education (according to OKSO)
No. 2-NK "Data on a public or municipal specialized secondary education institution or higher education institution, teaching secondary vocational training curricula"	<b>The expected number of graduates</b> in each speciality in the period between October 1 of the current year and September 30 of the next year (determined from the number of pre-graduate students, subject to the expected rate of failure)	Field of knowledge and profession by education (according to OKSO)
No. 2-NK (NEI) "Data on training specialists at a non-public secondary vocational educational institution"	<b>The expected number of graduates</b> in each speciality in the period between October 1 of the current year and September 30 of the next year (determined from the number of pre-graduate students, subject to the expected rate of failure)	Field of knowledge and profession by training (according to OKSO)
No. 3-NK "Data on a public or municipal higher educational institution"	<b>Actual number of graduates</b>	Educational level (incomplete higher, Bachelor of Arts, specialist, Master of Arts) Field of knowledge and profession by training (according to OKSO)
No. 3-NK (NEI) "Data on training of specialists with higher education at a non-public educational institution"	<b>Actual number of graduates</b>	Educational level (incomplete higher, Bachelor of Arts, specialist, Master of Arts) Field of knowledge and profession by training (according to OKSO)
No. 3-NK "Data on a public or municipal higher educational institution"	<b>The expected number of graduates</b> in each speciality in the period between October 1 of the current year and September 30 of the next year (determined from the number of pre-graduate students subject to the expected rate of failure)	Field of knowledge and profession by training (according to OKSO)
No. 3-NK (NEI) "Data on training of specialists with higher education at a non-public educational institution"	<b>The expected number of graduates</b> in each speciality in the period between October 1 of the current year and September 30 of the next year (determined from the number of pre-graduate students subject to the expected rate of failure)	Field of knowledge and profession by training (according to OKSO)



## Results of the poll conducted among the representatives of authorized bodies in the Russian Federation constituent entities on the issue of improving the planning system for foreign work force employment

Poll respondents included representatives of authorized executive bodies from 31 constituent entities of the Russian Federation, engaged in organizational and coordination activities to establish the regional demand for foreign labour force.

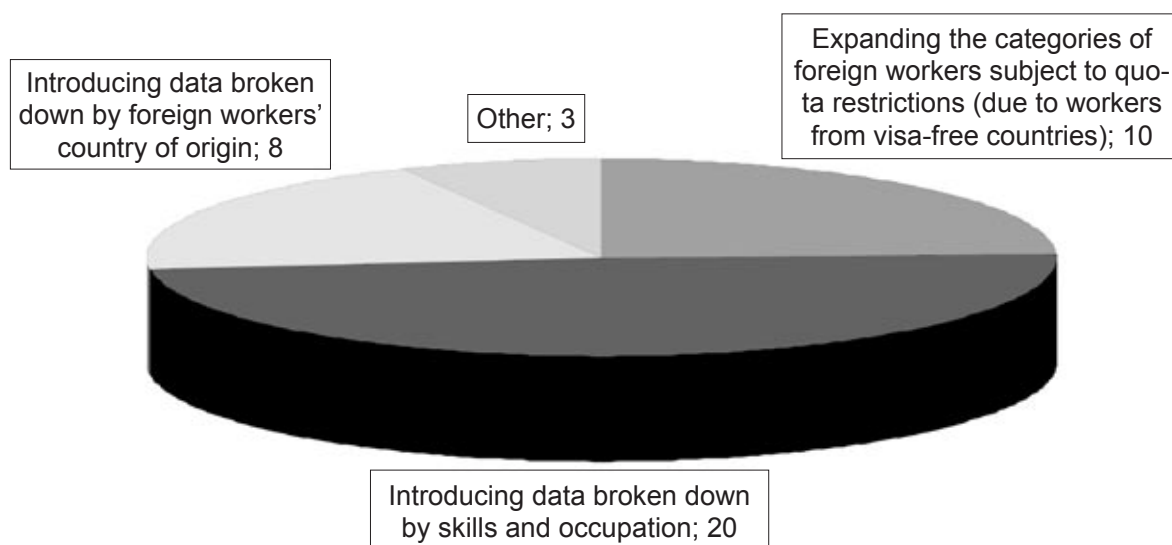
The respondents were asked the following questions:

1. What measures to improve the foreign labour demand assessment mechanism are the most important and urgent, in your opinion?
2. How do you assess the need for greater transparency of procedures to estimate the demand for foreign labour employment?
3. Which of the above problems is, in your opinion, most pressing today?
4. What are the reasons encouraging the employers in your region to employ foreign labour?
5. What amendments should be made to migration legislation to ensure that the employers filing applications be guaranteed the use of the quotas under the notification procedure of foreign workers employment?
6. What is your opinion of the proposed project of the automated information system Migration Quotas and the prospect of its application in practice?

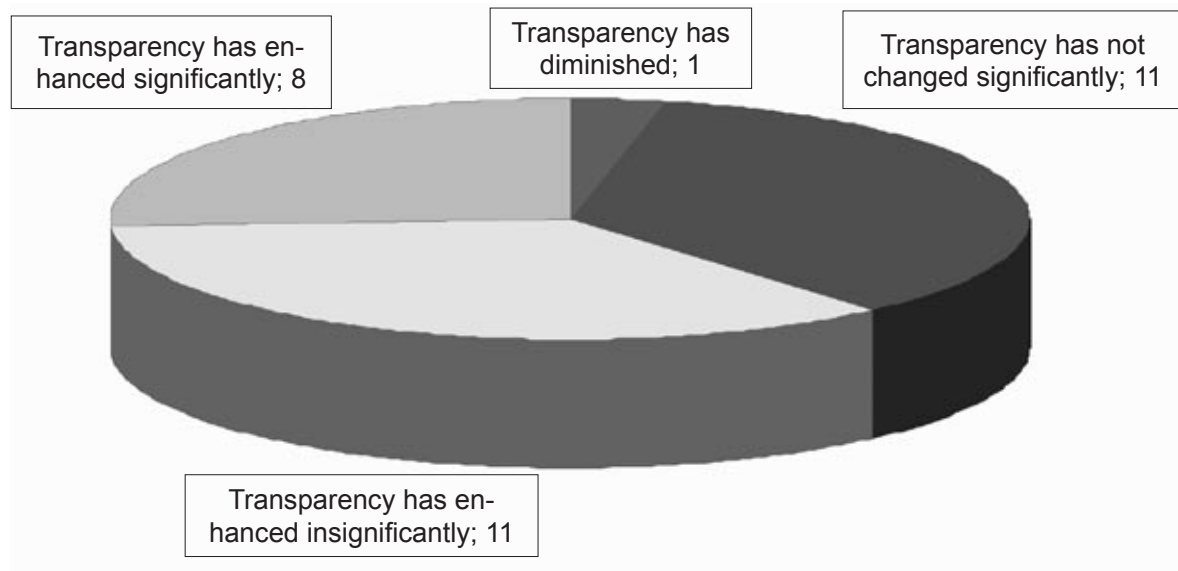
The respondents could choose one or several answers from the proposed options. The answer to question 5 implied that the respondent should express his own opinion.

The answers were as follows:

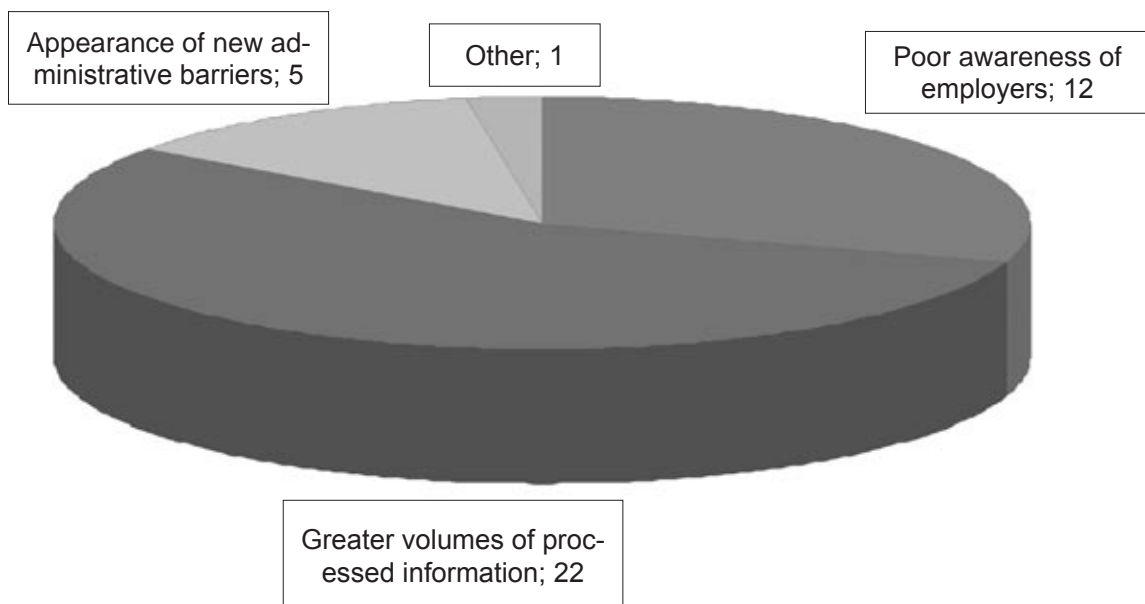
1. Introduction of data disaggregated by occupation would be the most important and relevant improvement in the procedure of determining the demand for foreign labour.



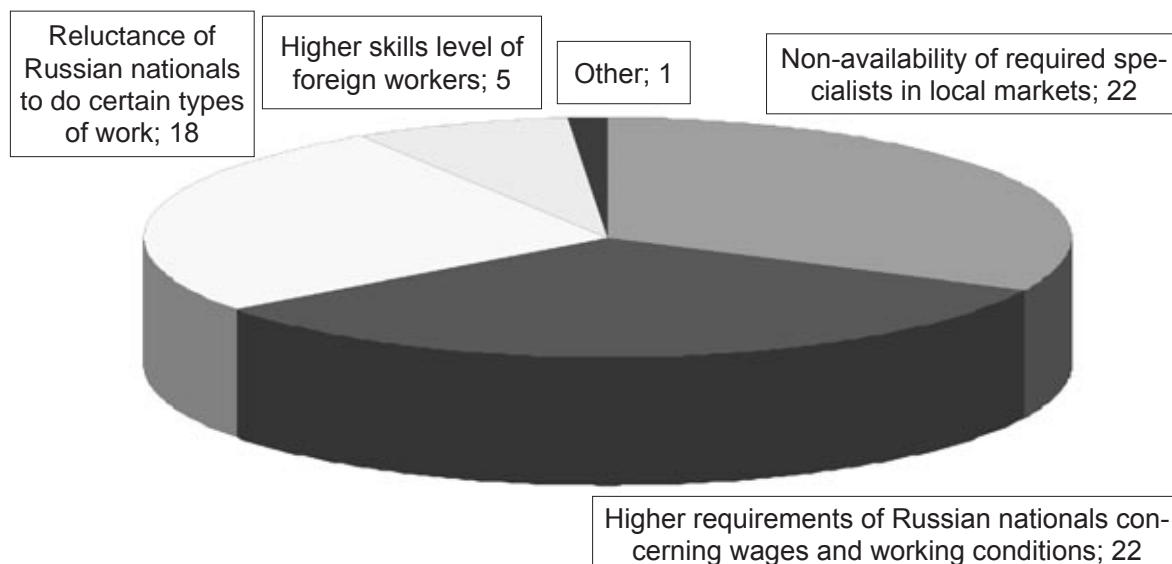
2. The majority of respondents believe that the new system for determining the demand for foreign labour and the new legislative regulation helped somewhat to enhance the transparency of procedures.



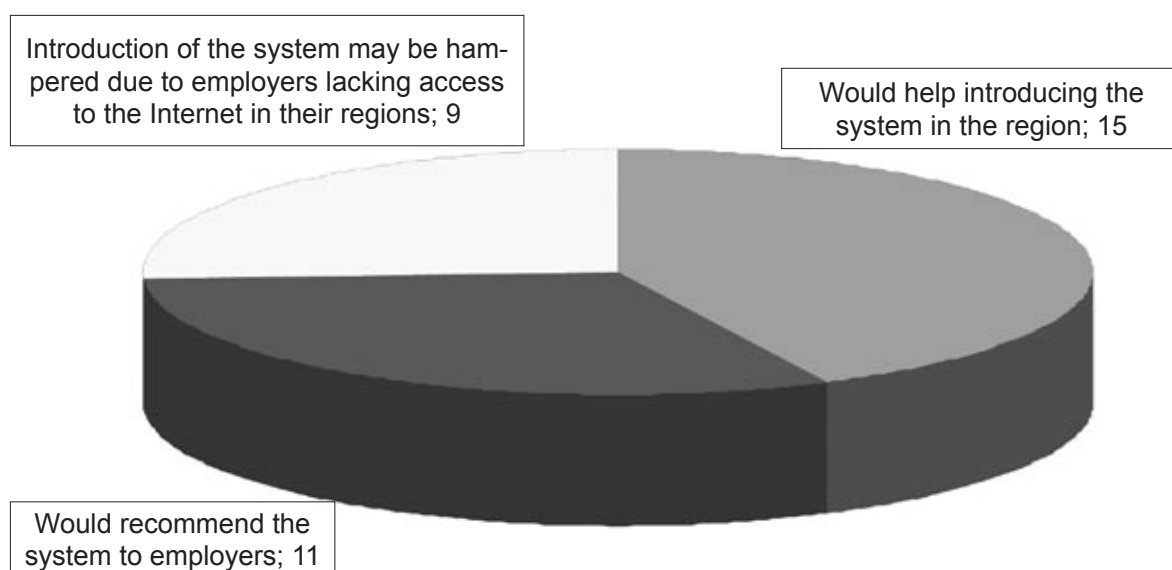
3. The most topical issue today is the increased volume of information to be processed as a result of introducing new procedures to determine the demand for foreign labour.



4. The main reason prompting employers to hire foreign labour, in the opinion of respondents, are higher requirements of Russian nationals with respect to wages and working conditions.



5. The respondents suggested the following amendments to migration legislation to ensure that the employers filing applications be guaranteed the use of quotas under the notification procedure for employment of foreign labour:
- Fixing in law that employment permits should be issued for the requested quota (7 answers);
  - Introducing sanctions for employment of foreign labour without submitting a relevant application (2 answers);
  - Introducing placement of foreign workers from the CIS countries through the employment service;
  - Issuing work permits only in accordance with classifications of occupations;
  - Introducing a procedure to issue a confirmation to the employer who has filed an application.
6. Most of the respondents would recommend that employers use the Migration Quotas automated information processing system, and were highly appreciative of its potential benefits.



## References

1. Data from the Federal Migration Service Year Book on Monitoring of legal migration for 2007.
2. Data of the Ministry of Health and Social Development of the Russian Federation (based on employers' applications for migrant workers in 2008).
3. Richards P. and R. Amjad (ed.) (1994): *New approaches to manpower planning and analysis*, ILO, Geneva, 1994.
4. Tuyrukanova, E. (2009): "Assessment of the design and implementation of the new immigration legislation in the Russian Federation on regularization of migrant workers, reduction of irregular, and the discouragement of employment of irregular workers" in *Regularization and Employers Sanctions as Means towards the Effective Governance of Labor Migration, Russian Federation and International Experience*, ILO, Moscow, 2009.
5. Zuppi, M. and E. Estruch (2009): "Italian and Spanish experience on practical methods for assessing and forecasting labour market requirements for migrant workers" in *Review of Approaches in Measuring the Need for Migrant Workers and Labour Migration Planning, Russian Federation and International Experience*, ILO, Moscow, 2009.



# **Italian and Spanish Experiences on Practical Methods for Assessing and Forecasting Labour Market Requirements for Migrant Workers**

Prepared for the International Labour Organization  
by Elisenda Estruch (researcher) and Marco Zupi (supervisor),  
Centro Studi di Politica Internazionale (CeSPI), Rome

April 2008



# 1. Introduction

The term “planning” has been used very loosely in economic literature, and there is no agreement among economists with regard to its meaning. Any type of state intervention in economic affairs has also been treated as planning. But the state can intervene even without making any defined plan. What then is planning? According to Jhingan, “planning is a technique, a means to an end being the realization of certain pre-determined and well-defined aims and objectives laid down by a planning authority”<sup>1</sup>.

By applying such a definition to immigration policy we run into some additional and specific problems. It is not by chance that some economists used to criticize immigration policy for being inefficient or irrational, unable to meet rational economic criteria such as labour-market needs, to guarantee a decent treatment to refugees, and to control the flow of unauthorized immigrants and asylum seekers<sup>2</sup>. The crucial question is then how much — if so happens — may a national policy be effective in managing/controlling international immigration?

This question is based on the assumption of a clear idea on the meaning of the effectiveness of immigration policy, in the sense that instruments of immigration policy must be capable of influencing to the necessary degree clearly defined, and given target variables. In its turn, this reflects the famous Tinbergen’s rule that consistent, determinate policy systems require an equal number of targets and instruments<sup>3</sup>. If immigration policy includes more targets than instruments, at least one target risks not to be fully attained (as a consequence of an “underdetermined” system) and this is of fundamental importance in the selection of a consistent program of any given policy. Moreover, consistency also requires that targets and instruments are mutually independent. For example, full employment and minimum consumption of welfare public services among immigrants could not be considered targets if there is a unique functional relationship between the level of employment and of public services consumption. In analyzing the effectiveness of immigration policies and explaining the gaps between stated policy and actual outcomes, it may turn out that Tinbergen’s rule and the concept of mutual independency between targets and instruments are extremely important.

In any case, based upon the accumulated experiences of the last decades, it is generally felt that in order to successfully generate and sustain high growth rates, countries should improve the functioning of the labour market — through labour market regulations pertaining to minimum wages, job security, and severance pay — thus ensuring a speedy wage-bargaining mechanism that is fair to both employees as well as employers and enhancing their relationships<sup>4</sup>. They may also need to implement a strategic immigration policy based on economic criteria in order to address labour shortage problems.

Referring to the last point, the admission of economic immigrants is considered the cornerstone of any immigration policy. In economic terms, an adequate allocation and selection of immigrants requires a clear definition of the time horizon to be addressed.

---

<sup>1</sup> Jhingan, M. L. (2004), *The Economics of Development and Planning*, 37<sup>th</sup> edition, Vrinda, Publ. Ltd, Delhi, p. 488.

<sup>2</sup> Fitzgerald, K. (1996), *The Face of the Nation: Immigration, the State, and National Identity*, Stanford University Press, Stanford, p. 24–34.

<sup>3</sup> This rule reflects the mathematical fact that an equal number of variables and equations is necessary for a mathematical system to have a unique solution. See: J. Tinbergen (1952), *On the Theory of Economic Policy*, North Holland, Amsterdam.

<sup>4</sup> Rao, M. J. M. and R. Nallari (2001), *Macroeconomic Stabilization and Adjustment*, Oxford University Press, Oxford, p. 12.



Within a short-term perspective, a disequilibrium state of excess demand for (skilled and/or unskilled) labour at the prevalent wage exceeds the supply from residents. Typical causes of such disequilibrium are:

- Low labour mobility
- Incomplete information
- Sudden shifts in technology or consumption
- Economic temporary fluctuations — *market segmentation and frictions, lack of market adjustment mechanisms flexibilities.*

In this case it is essential to identify excess demand in the specific segments of the labour market: skills, occupations, economic sectors, and geographic regions. Useful labour market indicators should bring up-to-date information on changes in unemployment and vacancy rates, employment and wage growth, occupational mobility, details on incoming labour-force (people who have recently completed vocational courses and university degrees) at disaggregated level.

As a rule of thumb, for example, a higher probability of labour shortage is typically associated with a higher vacancy rate, which is defined as the ratio of the number of vacant jobs to the number of unemployed persons in a labour market. In practice, serious problems arise with such crucial information in available statistics, due to the unreliability of existing data and the difficulty in collecting recent and sophisticated information. With reference to current unemployment rates, this problem is aggravated when informal and illegal economic activities are significantly high. That is why additional sources of information, mostly based on survey evidence on both demand and supply sides, are very useful.

From a long-term perspective, (rather than focusing on temporary immigrants with specific skills), demographic changes, together with structural changes in modes of production, are crucial concerns. In particular, the ageing population is a prevailing dynamic process, which will affect European countries over the next few decades, with impressive consequences on labour market needs, particularly from a quantitative point of view. Economic immigration policies may also address this need for permanent immigrants to fill less specific gaps of continuous labour shortages<sup>5</sup>.

### ***Five Key-Points in the comparative analysis of immigration policies***

One of the weaknesses of most literature on immigration policy is a tendency to be a-theoretic, focused on specific periods and countries, and unable to present a comprehensive interpretation. In response to that, Meyers stressed the importance of analysing how different governments decide on the different aspects of immigration policy: from the number of immigrants they will accept; differentiation amongst various migrant-sending states; and but also how to allocate visas among nationals of a given sending state (on a first-come, first-served basis; on the basis of family ties or occupational skills<sup>6</sup>). Governments may also need to consider whether to accept refugees and on what basis, and whether to favour permanent immigration over temporary labour migration and to fight undocumented and illegal immigrants (that is where and how many resources are allocated to prevent such immigration and of whether to grant an amnesty to such immigrants)<sup>7</sup>. Meyers' aim was to address the issue of appropriateness of planning in immigration policy and to measure its effectiveness, in order to test empirically the hypothesis that immigration policies are essentially symbolic or that there is an enforcement gap causing the unmet demand for migration control. For our purpose, his approach is useful also as a way to demonstrate that the identification of specific targets (and instruments) is neither entirely unambiguous nor obvious.

---

<sup>5</sup> Zimmermann, K. F. and H. Bonin, R. Fahr, H. Hinte (2007), *Immigration Policy and the Labor Market. The German Experience and Lessons for Europe*, Springer, Berlin, pp. 69–101.

<sup>6</sup> Corneliussen, W. A. and M. R. Rosenblum (2005), "Immigration and Politics", in *Annual Review of Political Science*, N. 8, pp. 99–119.

<sup>7</sup> Meyers, E. (2004), *International Immigration Policy: Theoretical and Comparative Analysis*, Palgrave Macmillan, London, p. 9.

In general and preliminary terms, there are some key points to consider when one analyzes two specific country cases (Italy and Spain) to find useful inputs and recommendations to another context, as Russia is.

First, structural socioeconomic factors (mainly, the economic situation) are crucial in determining whether immigration can take place and, if so, of what kind — as well as which specific immigration policies should be adopted and how their effectiveness may be conditioned. In particular, existence of “dual labour markets” economy in host countries means that the least attractive jobs are often reserved for immigrants<sup>8</sup>. This seems to be a general rule: in all OECD countries, immigrants are more likely to be overqualified for their job than a person born in that country.

In particular in Italy and Spain, the share of people doing a job for which they are overqualified is twice as high as for native-born workers. Immigrants to OECD countries are also better educated on average than native-born people, with nearly one in four having completed tertiary education compared to one in five native-born. In Italy, immigrants find jobs more easily but are frequently overqualified. Thus, the way an imperfect (related to a neoclassical model) country's labour market works affects how effectively migration policy acts. The huge amount of informality (or so-called underground, shadow economy) in the Mediterranean countries — such as Italy and Spain — cannot be underestimated as one of the main determinants of immigration patterns<sup>9</sup>. Notwithstanding high differences in labour productivity in different regions within a country such as Italy, the presence of low internal mobility of native workers encourages international migrations as a substitute of it. Even if the economic situation influences immigration policy (e.g. recessions cause countries to accept fewer immigrants), dual labour markets, informality and, more generally, the segmentation and rigidities of labour markets reduce such an automatic relationship. This concurs to explain the fact that econometric studies find a very mild effect of unskilled migration on the wages and unemployment of native workers. Once certain low-wage manual jobs become associated with migrant labour, an increase of unemployment rates does not produce a significant reduction of immigrants and a return of native workers to these sectors. Another structural factor is the ageing of the population in new immigration states — such as Italy and Spain — which suggests that such an intensification of foreign labour demand will continue in the future as a combination of path-dependent labour recruitment, and immigration policy methods and demographic forecast. Demographic and economic imbalances and decades of migratory flows are among the main socioeconomic structural determinants of migration policy.

Second, geography and geographical position are important factors, too. From one side the shape of land-locked countries is very different from the situation of countries — such as Italy and Spain — with prevailing coastal borders. Also absolute dimensions, in terms of kilometres of borders to be controlled, and population density are crucial. And what is more important, countries addressed by migration flows coming from neighbourhood countries — such as Italy, Spain and Russia — require different immigration policies than those — such as Canada and Australia — who receive migratory inflows coming from the far distant countries.

Third, international relationship factors concur in determining specific immigration policies and their effectiveness. Apart from the general attitude among policy makers (in the wake of the September 11, 2001 air attack and the train bombings in Madrid of March 11, 2004), to consider individual migrants as security threats, different international roles played by states imply divergent considerations on migration policy. Comparing Russia to Italy and Spain, it is clear that Russia is a global player and seeks a recognised leadership status, which may lead to the adoption of policies that are a direct consequence of a sense of responsibilities towards former allies, and to demonstrate support to other countries. In such a case, domestic “interests” and approaches to immigration poli-

---

<sup>8</sup> Tsuda, T. and Z. Valdez, W. A. Cornelius (2003), “Human versus social capital: immigrant wages and labour market incorporation in Japan and the United States”, in J. G. Reitz, *Host Societies and the Reception of Immigrants*, CCIS, San Diego, p. 215–252.

<sup>9</sup> Italy and Spain underground economy makes up 20–25 percent of GDP and 5–15 percent of workforce is illegal immigrants. See: Watts, J. (2000), *The Unconventional Immigration Policy Preferences of Labor Unions in Spain, Italy, and France*, CCIS Working Paper, N. 5, San Diego, March.

cy may be mitigated by foreign policy arguments. On the contrary, both Italy and Spain are member states of the European Union, and the EU integration process is contributing to the harmonization between immigration policies at national level by taking the following measures:

- By facilitating free movement of labour among the member states (reducing internal controls over intra-EU movement of persons)
- By making relatively more restrictive external immigration policy
- By making progress toward integrated management of external borders and the fight on illegal immigration
- Adopting policies that lead to higher-skilled immigrants, concentrating the number of unskilled or low-skilled migrants through temporary agreements
- By reducing family reunification and asylum as modes of immigration<sup>10</sup>.

Fourth, if and how the ideas and perceptions of public opinion and interest groups on migration affect immigration policy differs across countries as well as across groups. Further, it depends on the importance of public opinion and attitudes, and on the way they are developed and interact with political decisions in different contexts.

Eurobarometer opinion polls indicate that Europeans are not too worried about the labour market impact of immigrants, but they are concerned about the fact that immigrants exploit the system of social welfare. According to Boeri<sup>11</sup>, in some European countries public opinion has misperceptions about immigrants abuse of welfare services due to the fact that migrants are overrepresented among the beneficiaries of several welfare state services. Accounting for their characteristics, it would then seem that they consume more in public services than they pay in taxes. Among other reasons, this has led governments to restrict immigration policies, leading to large numbers of illegal less-skilled immigrants, which in turn has resulted in heavier burdens on the welfare systems, creating a sort of self-fulfilling vicious circle. Moreover, inconsistencies between public opinion constituent on complaints on expansionary immigration policy, and illegal flows from one side, and native employers who knowingly employ unauthorised immigrants from another side, produce inefficient immigration control policies. Based on the US experience, the strategy based on border enforcement is very costly (in financial and human lives terms) and ineffective, but it satisfies public opinion expectations, without generating a systematic crackdown of employers of illegal immigrants. The latter would require a more effective policy focused on the strengthening enforcement of laws regarding immigrants in the workplace plus employer sanctions<sup>12</sup>.

Fifth, the uniqueness of a given immigration context is not the immigration itself but its magnitude, and the speed of change and composition, which are somehow determined by the prevalence of long-term or short-term, pro-active or reactive nature of the immigration policy. Even if a globalized world economy implies more common economic cycles all over the industrialized countries (that is convergent economic factors among receiving countries), and if there has been a significant similarity between the immigration policies of the major receiving countries during the last decades, it is still useful to combine analyses of immigration policies for any given receiving country over time and compare the differences between policies of various countries.

These considerations simply mean that similarities and differences, as well as time-line horizons for results, have important implications for how immigration policies affect the nature of migration: and how the costs and benefits of immigration policies are distributed among different groups of native-born workers, employers, labour unions, taxpayers, consumers and migrants. The above-mentioned key-points are permanently inter-linked and it creates a more complex relationship among government policy, labour-force requirements, and immigrant intake.

---

<sup>10</sup> Pritchett, L. (2006), *Let Their People Come: Breaking the Gridlock on Global Labor Mobility*, Brookings Institution Press, Washington, D.C.

<sup>11</sup> Speech at the World Bank Conference on Labour Market and Migration, Washington D.C., 23 May 2007.

<sup>12</sup> W. A. Cornelius (2005), "Controlling Unwanted Immigration: Lessons from the United States, 1993–2004", in *Journal of Ethnic and Migration Studies*, Vol. 31, N. 4, July, pp. 775–794.

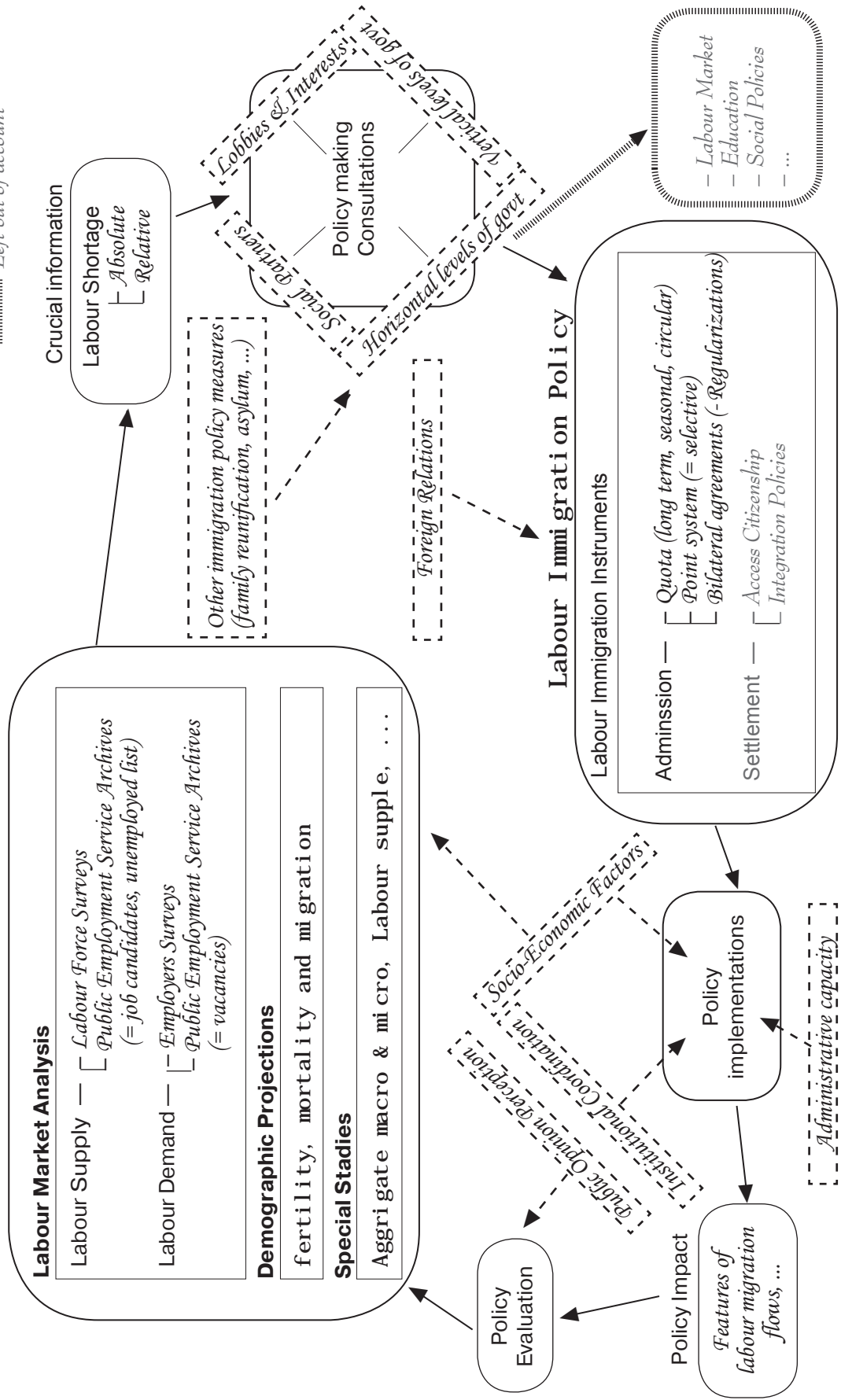
## References

- Cornelius, W. A. (2005): "Controlling Unwanted Immigration: Lessons from the United States, 1993–2004", in *Journal of Ethnic and Migration Studies*, Vol. 31, N. 4, July.
- Cornelius, W. A. and M. R. Rosenblum (2005): "Immigration and Politics", in *Annual Review of Political Science*, N. 8.
- Edmonston, B. (ed.) (1996): *Statistics on US Immigration. An Assessment of Data Needs for Future Research*, National Academy Press, Washington D.C.
- Fitzgerald, K. (1996): *The Face of the Nation: Immigration, the State, and National Identity*, Stanford University Press, Stanford.
- Jhingan, M. L. (2004): *The Economics of Development and Planning*, 37<sup>th</sup> edition, Vrinda, Publ. Ltd, Delhi.
- Meyers, E. (2004): *International Immigration Policy: Theoretical and Comparative Analysis*, Palgrave Macmillan, London.
- Pritchett, L. (2006): *Let Their People Come: Breaking the Gridlock on Global Labor Mobility*, Brookings Institution Press, Washington, D.C.
- Rao, M. J. M. and R. Nallari (2001): *Macroeconomic Stabilization and Adjustment*, Oxford University Press, Oxford.
- Tinbergen, J. (1952): *On the Theory of Economic Policy*, North Holland, Amsterdam.
- Tsuda, T. and Z. Valdez, W. A. Cornelius (2003): "Human versus social capital: immigrant wages and labour market incorporation in Japan and the United States", in J. G. Reitz, *Host Societies and the Reception of Immigrants*, CCIS, San Diego.
- Watts, J. (2000): "The Unconventional Immigration Policy Preferences of Labor Unions in Spain, Italy, and France", *CCIS Working Paper*, N. 5, San Diego, March.
- Zimmermann, K. F. and H. Bonin, R. Fahr, H. Hinte (2007): *Immigration Policy and the Labor Market. The German Experience and Lessons for Europe*, Springer, Berlin.

# Labour Immigration Policy Cycle Management: Benchmark

The main sources of statistics

— LICM  
 --- Structural External Factors  
 ..... Left out of account





## 2. A summary of Italian and Spanish country studies

Italy and Spain are typical examples of countries with recent immigration history. Both passed from sending to receiving countries over the past two decades. Such transformation caught policy-makers and experts unprepared as to how to manage massive inflows and their integration, as well as programming an immigration policy capable of responding to labour demand needs. As will be seen in the following paragraphs, labour migration planning is managed through a learning-by-programming approach. Actually, in contrast to other European countries with longer immigration experience, there are no systematic economic models for forecasting labour shortages and foreign labour needs in the context of policy making process. On the other hand, both Spain and Italy provide us with some useful elements on how immigration planning operates in practice in two countries that share some socio-economic features and have faced massive labour immigration.

Both Italy and Spain share some features on how immigration affects their socio-economic background and how this phenomenon is approached. In this sense, some of these common elements may be:

- Firstly, their **geopolitical** position should be looked at. In particular, both countries belong to EU and are members of other international fora, which condition their foreign relations and hence, how they tackle international relations (in which international migration plays an increasing role). Also, both countries share a strategic geographic position at the Southern border of Europe, which has become critical as illegal flows of immigrants continue to arrive from the Mediterranean border.
- Secondly, their **socio-economic** structures contain factors that can also explain how immigration is being managed; specifically:
  - o Both countries are often described as labour-intensive economies, with segmented labour markets (and there are sectors/occupations in the secondary segment that native workers do not want to work in), and which encompass a sizeable informal economy.
  - o Furthermore, we should recall some social changes that have taken place over the last decades, namely the increasing labour participation of the female population, the late entry of young workers into economically active life (i.e. longer study periods explained by increased access to higher education) combined with an ageing society, in which we find low fertility rates (the lowest worldwide) and longer life expectancy.
- Thirdly, Italy and Spain have rather **decentralised governance systems**. In fact different tiers of government need to be coordinated not only for policy design, but particularly for policy implementation. In terms of immigration policy, the local component is taken into consideration, especially as interest or concern for the integration of new arrivals has grown. In both countries, sub-national levels of government are also consulted for the definition of annual migration ceilings, albeit in real terms Italy may barely respond to indications by regional authorities. Conversely, Spain has moved towards a more consensual model, with consultative process in which social parties are also formally involved. However, in both countries, the political sign in power has an impact on the overall stance to immigration issues. We notice how, depending on the government in power, priorities and preferences change according to the agenda of the political party/coalition in power.

These broad issues certainly condition how these two countries face policy-making.

As stated above, both Italy and Spain have a **recent immigration history**. The change from emigration to immigration countries has been sudden — and was at first perceived as temporary. Thus, legislative and administrative frameworks were unprepared for a massive and continuous

arrival of foreigners, which mostly came attracted by job opportunities. The immigration legislation has been modified in several occasions, and administrative capacity reinforced, but, in practice, immigration policy has been restrictive and has not responded to real driving forces. Therefore, **irregular immigration** has been a persistent feature of migratory inflows to both countries, and has often required extraordinary measures (i.e. regularisation campaigns). By and large, experts describe immigration policy-making in these two countries as an “involuntary laissez-faire” and as a reactive. We find some differences in the composition of inflows (Spain presents more concentration on immigrants of Latin American origin, while Italy shows more heterogeneity with large communities of immigrants from the Balkans.) Nonetheless, in both countries, most immigrants arrive for economic reasons and find employment in low-productivity, low-skilled occupations.

In fact, among the possible main categories of immigration (i.e. economic migrants, asylum seekers/refugees, and family reunification), labour immigration has been the main migratory inflow to Spain and Italy over the last decade. Only more recently, family reunification has started to gain importance. Asylum seeking has not been significant compared to other European countries (e.g. Sweden, United Kingdom). Therefore, the immigration policy in these two Southern European countries is employment-driven.

As the country studies show further in detail, Spanish and Italian labour immigration policies are rather similar, or fall into same labour immigration models. They have been guided by similar principles, namely: foreign workers are only allowed to fill the gaps in the **domestic labour market needs** and hence, they can only enter when an employer places a job offer that remains unfilled.

- o Despite some differences being identified, annual quotas have been the main instrument to manage legal labour migration system. However, they have been rather restrictive due to low numbers and cumbersome administrative requirements, and hence, irregular immigration has flourished. The economy has provided undocumented foreign workers with job opportunities under informal or undeclared job arrangements, and the repeated exercise of regularisations has provided incentives to undertake the risk of remaining with irregular legal status until the next of these campaigns would come.
- o In Spain, the annual quota or “contingente” is complemented with the “Régimen General” and the newly created Catalogue of Occupations Difficult to Cover (CODC) — for the aforementioned administrations no annual ceilings are fixed. Basically, the annual quota channels generic job offers by employers towards countries with which Spain has established bilateral recruitment bilateral agreements. The role of both administrations is has importance under this mechanism. Thus, annual quota figures are somewhat reduced compared to total work authorisations. Conversely, the general regime channels most legal work entries. Here, the employer is the main actor in the recruitment process and places a nominative job offer. Specifically, after he/she is given the authorisation to recruit (i.e. the occupation appears in the last version of the CODC, or the labour market needs test has been accomplished), the employer will be responsible for selecting the worker from abroad. In the latter cases, business associations have an important intermediary role.
- o In Italy, the annual quota is divided between general quotas (which may foresee different occupations, according to the results of the consultation process) and very small privileged quotas (which correspond to foreign workers from countries with which Italy has agreed bilateral recruitment agreements). The recruitment process is also directed by an employer call (nominative or generic), and the worker has to be recruited abroad before his/her admission to Italy.

With this general picture of labour immigration policy in mind, we move to see how foreign labour needs are determined. Again we find similarities between the two countries:

- This is probably explained by the short and sudden immigration history, there is a reactive approach to the estimation of foreign labour needs. In fact, in a very relevant way information from previous years feeds the analysis and the determination of next years’ levels of legal migration.

- Given the important role that employers have in the administrative process, **employers' hiring intentions are used to estimate foreign labour needs**. However, from an economic point of view, these do not correspond to the concept of labour shortages. Firstly, firms and sectors do not have an equal capacity to foresee their hiring strategies over the next year or period of reference. Economic sectors with high volatility, and small-sized firms, may have problems in planning next year's hiring and firing. Secondly, even if we assume an accurate business planning across sectors and firm-sizes, employers' hiring intentions may hide business strategies (availability of low-cost workforce to sustain competitiveness of labour-intensive activities) or the intention of regulating foreign workers currently present in the territory in irregular status. Nonetheless, it is also true that the opinion of employers is relevant for control purposes, as the government is somehow assured that levels of annual authorisations would correspond to legal contractual arrangements at the end of the period of reference.
- In **Italy**, the use of employers' hiring intentions is more evident. There is a **lack of an official concept and operational definition of labour market requirements**. In practice, this is translated into a consultation process in which regional governments do not perform forecasting exercises or scientifically accepted methods to estimate labour shortages. They rather rely on the opinion of local employers' associations and main firms about next year's hiring intentions. The presence of a fully-fledged employers' survey, such as Excelsior, also points in that direction.
  - o This may prove to be reliable only in certain regions, in which high employment and participation rates may lead to additional labour demand which will necessarily result in labour shortages. However, in Southern Italian regions this may not be true and employers' hiring intentions may be ambiguous about labour shortages.
  - o There is no official methodology that differentiates by occupation. In the Italian context, many labour shortages may fall, to date, under the category of occupational shortages. Excelsior does perform analysis by occupation and skills levels, though it is not used for official purposes. It has just been included in the last three-year planning 2007–2009, but such a document just considers the national aggregate, and not its analysis by region, sector or occupation.
- In **Spain**, changes introduced in 2004 have reinforced the measurement of the need for foreign labour. We refer to the introduction of the **Catalogue of Occupations Difficult to Cover (CODC)**. This instrument has been in place since 2005 and is based on administrative data from the Public Employment Services (PES) at provincial level. It is prepared quarterly and results from applying a series of indicators to the data which account for both demand and supply side issues, combined with a coherent and comprehensive consultative process. At local level, the local PES discusses first results with local business associations and trade unions, together with representatives from the regional government. At ministry level, the proposed local CODCs are discussed within the Tripartite Labour Commission of Immigration in which main trade unions and business associations are represented, together with ministry officials. The resulting catalogue is published and it is used for hiring foreign workers by employers, as well as being a reference to determine the annual quota.
  - o Among its advantages, we recall that the CODC results from a coherent methodology applied all over the territory (same data sources and set of indicators are used nationwide, combined with consultation to social partners) and it is repeated on a regular basis.
  - o However, three criticisms can be pointed out. Firstly, the CODC fails to cover certain occupations. For instance, the highly skilled may be underrepresented, as firms tend not to register these types of vacancies and use recruiting channels other than the network of PES. Also domestic services are a sector that may be underestimated, as not all households may register vacancies there and may prefer to use specialised private sector agencies. Secondly, it should be considered that it is the individual employer who ultimately will face the labour need and as such, business associations may not



always be able to collect specific needs of each of the associates and report them to the tripartite meetings. Thirdly, the big administrative effort going into the preparation of this shortage list is then underused in practice. As the CODC is just used to facilitate the recruitment procedure under the general regime, rather than serving as a migration planning tool.

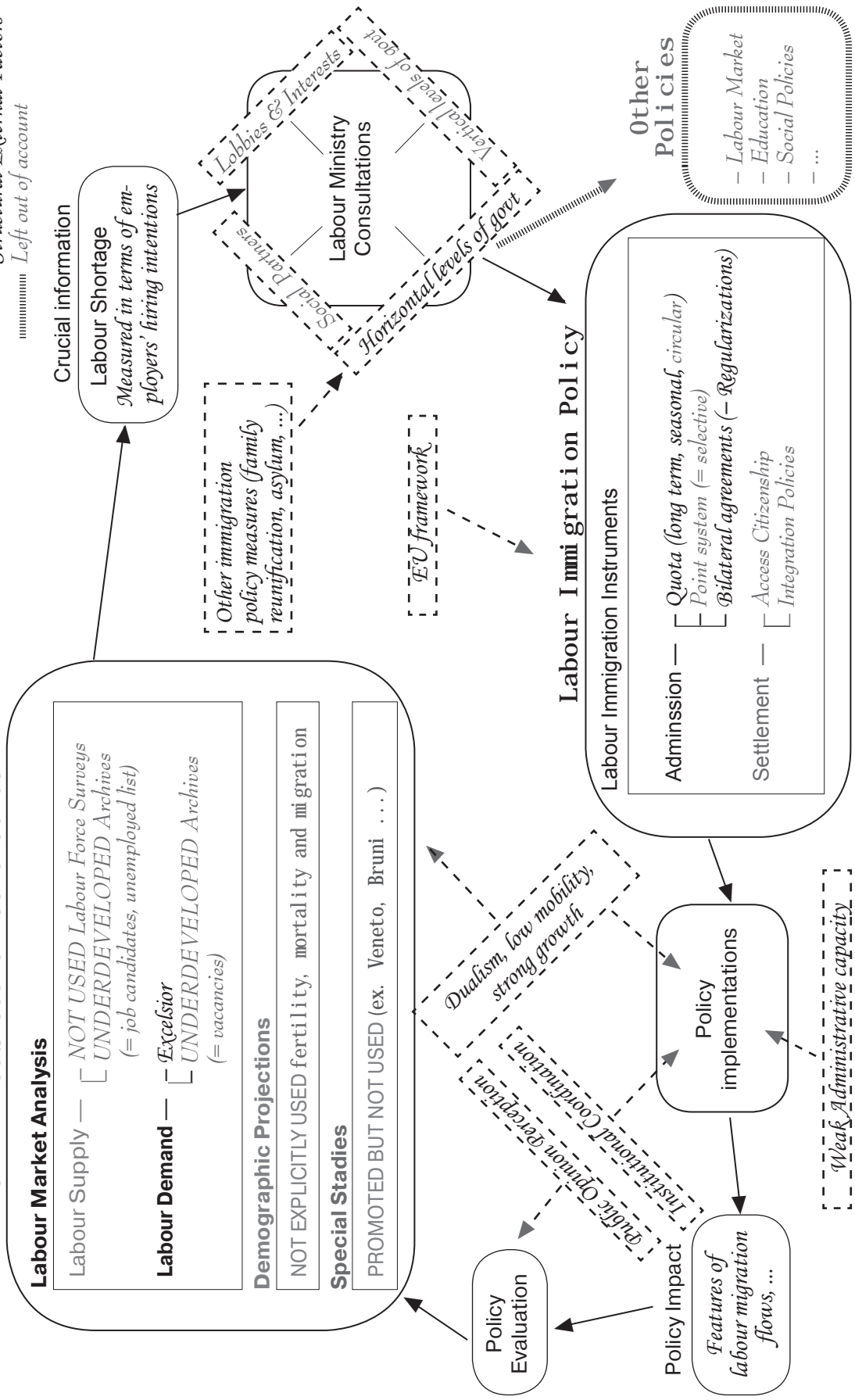
- **Demographic concerns** are included in the overall policy framework of Spain and Italy, as projections are performed regularly by respective national statistics institutes. Eurostat projections are also available for both countries in a comparative basis with other EU countries. However, in neither of the two countries have they been formally included into the definition of immigration policy. Overall, there is no specific strategy for selection of immigrants according to their skills, even though this is relevant to a longer term perspective. In Spain and Italy, many foreign workers are overqualified for the jobs they undertake upon arrival. Spain is acknowledging this problem and intends to reinforce the recruiting mechanisms in the countries of origin, while increasing labour mobility once the worker is in Spain. In view of ageing-related issues, timing may play a significant role in policy planning: while migration inflows provide an immediate response to a labour shortage, other counter-policies (e.g. social policies to increase labour force participation and birth rates, education policies to increase labour productivity) take a longer time span to impact population dynamics.
- In both countries, **special studies** have been performed by labour market experts and academicians. They have been mostly financed by regional governments. However, they are not explicitly or formally considered in determining labour immigration policy. In general, they are interesting exercises as they provide alternative and statistically founded methodologies based on the economic definition of labour shortages. In particular, we included a study for each country case and they both provide alternative methodologies to official methods in assessing labour market needs. Based on the economic definition of labour shortages and using official demographic and labour statistics in place (i.e. data from respective national statistics institutes), different scenarios are built on the basis of different assumptions regarding employment and participation rates. Results are very much in line with trends observed in real entries of foreign workers over the last years, certainly above official annual ceilings. These special studies are interesting examples of how labour market forecasts can reach significant conclusions, in terms of labour shortages over the medium term (5 years) or longer term (10 years).
  - o However, in general, there are significant impediments to deriving accurate projections to help with the middle and long term planning of policies to meet labour demand requirements. This is partly linked to problems with predicting phenomena that are influenced by complex, often volatile economic factors, and that may be significantly affected by unforeseeable policy developments in years to come. Accurate projections are also difficult to disaggregate especially regarding occupational and skills requirements.
  - o While demographic projections give a clear picture of the next 40 years, projections for emerging skill gaps cannot realistically cover more than 15 years time frame at most. More accurate or disaggregate projections may not even be possible for such a time span.
- In general, none of these countries have placed longer term policy implications as top priorities in the policy agenda. Labour immigration policies have been directed towards controlling inflows, rather than planning immigration over the long run. Still, future concerns are now gaining positions in the policy agenda, but they are not specifically and directly addressed by immigration policy-making process. We refer to issues such as integration and access to citizenship, which could also be used as indicators of whether the receiving country is moving towards settlement migration approaches, as such adopted in Canada or Australia. In Italy and Spain, access to citizenship is still restricted, and responsibility for integration is mostly decentralised to the sub-national levels of government, and only now are comprehensive and nation-wide programmes being defined, with financial resources being allocated to this issue.

## References

- Abella, M. (2005): "Policies and Best Practices for Management of Temporary Migration", United Nations Population Division, Department of Economic and Social Affairs, *UN/POP/MIG/SYMP/2006/03*, June 2007.
- Boswell, Ch. And S., Stiller, T. Straubhaar (2004): "Forecasting Labour and Skills Shortages: How Can Projections Better Inform Labour Migration Policies?", HWWA, paper prepared for the European Commission, DG Employment.
- Bruni, M. (2007): "Emilia — Romagna. Fabbisogno occupazionale e saldi migratori: scenari previsti al 2013", Region of Emilia Romagna-University of Modena, March 2007.
- Cornelius, W.A. and T. Tsuda, P.L. Martin, J.F. Hollifield (eds.) (2004): *Controlling Immigration: A Global Perspective*, Standord University Press.
- Lutz, W. and S. Scherbov (2007): "The Contribution of Migration to Europe's Demographic Future: Projections for the EU-25 to 2050", International Institute for Applied Systems Analysis, *Interim Report*, September 2007.
- Mañé, F. and J. Oliver-Alonso (2002): "Projecting labour market developments in Spain through 2010: from massive unemployment to skill gaps and labour shortages?", in M. Neugart and K. Schömann (eds.), *Forecasting Labour Markets in OECD Countries: Measuring and Tackling Mismatches*, Edward Elgar, London.
- Munz, R. (2007): "Migration, Labour Markets and Integration of Migrants in Western Europe", HWWA Policy Paper.
- Niessen, J., Y., Schibel and C. Thompson (eds.) (2005): *Immigration as a Labour Market Strategy — European and North American Perspectives*, Migration Policy Group.
- Oliver, J. (ed.) (2006): *España 2020: un mestizaje ineludible*, Institut d'Estudis Autònoms de la Generalitat de Catalunya, Con(Textos)A, Vol. 3.
- OECD (2006, 2007): *International Migration Outlook*, Organisation

# Labour Immigration Policy Cycle Management: Italy

## The main sources of statistics



# Labour Immigration Policy Cycle Management: Spain

The main sources of statistics



—— *LIPCM*  
 - - - - Structural External Factors  
 ..... Left out of account

Crucial information

Labour Shortage  
 Absolute  
 Relative

Other immigration  
 policy measures (family  
 reunification, asylum, ...)

Labour Ministry  
 Consultations

*Social partners*  
*Lobbies & Interests*  
*Ministerial levels*  
*Trip*  
*QES*  
*Social partners*

*EU framework*

Labour Immigration Policy

Labour Immigration Instruments

**Admission** — *Catalogue/Reg. General*  
*Point system (= selective)*  
*Contingente (included Bilateral agr.)*  
*Arraigo (+ Regularizations)*  
*Access Citizenship*  
*Integration Policies*

**Settlement** —

Other  
 Policies

— Labour Market  
 — Education  
 — Social Policies  
 — ...

Policy  
 Evaluation

Policy  
 Impact

Features of  
 labour migration  
 flows, ...

Policy  
 implementations

Administrative capacity

### 3. Italian country study

#### 1. Introduction

In recent decades, Italy has passed from an emigration to an immigration country. Italian immigration policy is assumed to be employment-driven, but its design is oriented to “emergency management”. In essence, it gives preference to the admission of migrant workers (through annual quotas, bilateral agreements with sending countries, repatriation) on the basis of a rather short-term focus on the control of migration inflows. As a result, it has mostly attracted migrant

*In recent decades, Italy has passed from an emigration to an immigration country.*

workers towards employment gaps in unskilled, low productivity jobs—which are not attractive for native workers. What is important however is that, despite successive regularisations and reinforced border control, Italy has proved to be incapable of tackling massive irregular migration. Only more recently political debate has moved to longer term aspects of immigration,

such as integration and acquisition of citizenship. But it has not yet been able to translate such attention into an operative long-term approach to plan migration flows. As we will see many of these features also appear in the Spanish country study that follows.

In general terms, the next pages will show how the framework of migration planning is short-term oriented. On the one hand, there is an awareness of the dependence upon migrant workers to fill labour shortages, especially in certain sectors and occupations. On the other hand, the statistical basis is not sufficiently developed to allow for a comprehensive and adequate assessment of the labour market needs over the long run.

*Migration policy still has a short-term approach more focused on border control than on accurately measuring future labour needs.*

Firstly, Italian vacancy registers are not considered a reliable source of information by Italian migration authorities. In fact, from our assessment, we find that the vacancy information system is still under developed. Secondly, the Excelsior employers’ survey is a fully-fledged information system of hiring intentions from the business side. Excelsior is extensively described as its relevance in the Italian system is recognised, as is its potential for replication in other contexts. Among Excelsior’s advantages, we find a robust methodology based on a significant and dynamic sample, and on a comprehensive questionnaire on employers’ hiring intentions and labour requirements. It also distinguishes between employers’ hiring intentions of foreigners from those of natives. On the other hand, this employers’ survey has also some disadvantages. For instance, despite some indications concerning the difficulties of covering some occupations, it is still difficult to disentangle business-strategy factors from real difficulties of hiring (i.e. shortages), as the survey does not cross-check with labour supply. Hence, overall it may overestimate (foreign) labour needs.

Thirdly, the development of an information system on occupational needs is in process — for instance, the forecasts run by ISFOL (Institute for the Development of Vocational Training). However, it is not considered necessary for the purposes of labour migration planning, followed by a section in which demographic projections are briefly reviewed. It seems that demographic concerns and the impact of immigration on the future of the welfare system have not been, to date, fully taken into account in the context of labour migration planning.

Finally, looking at how labour immigration policy is managed and implemented some further considerations arise. Both labour market needs and political interests are taken into consideration. On the one hand, local labour needs are acknowledged, as quotas are somehow annually distributed across regions according to their perceived labour needs. Conversely, bilateral agreements with several sending countries foresee privileged quotas, which are established on the basis of their col-

laboration in readmission and police control of illegal immigration. And, quotas have been politically-oriented and excessively restrictive. Further, at the implementation phase of these instruments, administrative procedures have proved to be excessively lengthy and non-transparent. Within this context, regularisations have then been implemented to reduce the growing presence of undocumented immigrants, who have generally been employed in informal economic activities. In terms of an institutional framework, the decision-making power is at ministry level and, in practice, regional authorities and social partners are barely consulted in the definition of annual quotas.

Furthermore, a three-year migration planning is prepared by the Italian government. While it provides an idea of broad orientations, much is dependent on subsequent political debate. For instance, many interesting aspects (i.e. job-seeking permits, more interest on integration initiatives) covered by the latest document (2007–2009) are at the moment at stake due to the political crisis and coming elections.

## 2. Trends in Italian statistics on the number of registered vacancies

Italian labour immigration policy is said to be defined in response to the domestic labour market needs. Thus, we could expect that a first source of information to determine the demand for

*Italy's public information system on job vacancies is significantly inadequate to determine the demand for foreign workforce.*

foreign workforce would be data on unfilled job vacancies gathered through the national system of employment services. However, Italy's information system on job vacancies is significantly inadequate. In this sense, the present section examines and argues why vacancy data, as registered by the system of Employment Centres, is not used for the identification of labour shortages. That would explain why

other sources of information are being used to measure the demand for foreign labour (i.e. Excel-sior system, see next).

Recent major changes in Italian labour market legislation have involved the intermediation role of employment services and also labour information systems. In particular, the system of Employment Centres was addressed by major reforms launched in the late 1990s and early 2000s, which responded to recommendations within the framework of the European Employment Strategy.

*Continuous National Labour Exchange should be the main source of information about vacancies but its development has been slow for several reasons and thus, it is still difficult to assess vacancy data on the basis of its archives.*

Given that these changes are recent (or even still ongoing), the information system on job vacancies is still not suitable for the identification of labour shortages in Italy.

In particular, the Borsa Continua Nazionale del Lavoro (BCNL, Continuous National Labour Exchange)<sup>13</sup> is the main source of information on job vacancies and it relies upon an ad hoc IT tool (i.e. Netlabor software). However, its development has been slow and thus, it is still difficult to assess vacancy data on the basis of its archives. (See Annex A.3a)

Reasons for this hesitant national system are the lack of coordination among all labour market intermediaries, and unequal institutional capacities and local particularities from a region to another. With the decentralisation of employment services provision and the increased number of intermediaries, regions have been given the responsibility for developing the local system for employment services, and heterogeneity of approaches from region to region dominates. Some regions present more mature information systems and can already provide more reliable data on vacancies than others. Veneto is an outstanding case as it has managed to edit and build up a database from administrative archives. (See Annex A.3b.)

There are also organisational problems linked to the delay in the data entry, especially because many local employment services still use paper back documents rather than computerised sys-

<sup>13</sup> [www.borsalavoro.it](http://www.borsalavoro.it)



terms and also because relevant details are missing or wrongly codified. So, administrative archives suffer from information gaps of heterogeneous nature, and are not suitable for a real assessment of labour market performance (and the identification of unfilled vacancies).

*Registered unemployment still overestimates real unemployment, as shown by unemployment estimated through the Italian Labour Force Survey.*

Furthermore, despite the fact that a new definition of registered unemployment was adopted, current data tends to still overestimate real unemployment, as indicated by a significant differential between registered unemployment and that estimated through the Italian Labour Force Survey (conducted by the Italian Statistics Institute, ISTAT). (See Annex A.4.)

This differential can be explained by the fact that motives that may bring workers to register within PES may be far from an effective job search and rather be explained by the need of unemployment registration to obtain certain benefits (such as, access to social housing, assistance to rent payment, etc).

Overall, it should be noted that Employment Centres are underused by Italian workers and employers. As reported by ISFOL (2007), the majority of workers, especially new entrants, rely on informal channels or networks to find a job — one person out of three uses friends, relatives or contacts. The Employment Centres represent a minor market share (6%) for matching supply and demand, rarely more than five percent of all job starts and often far fewer. Both workers and employers often prefer to use informal channels and networks of family, friends and current employees to find jobs. At the same time, Employment Centres have problems in providing updated and complete information and in accurately assessing the skills and qualifications of users. (Chaloff, 2005, p. 16.)

In brief, issues that should be dealt with before relying on local administrative data on vacancies are: (Trivellato, 2006a, Pirrone and Sestito, 2006):

- on employment figures, the partial coverage (which is limited to one category, that of private employees) and data collection focused on flows while information on stocks is minor;
- in terms of unemployment, data from Italian local Employment Centres still suffers from the scarce reliability on registered unemployed persons. Many divergences persist between registered unemployment in the Employment Centres and the unemployed as estimated from ISTAT's labour statistics;
- in addition to the diversity of experiences across Italian regions, there is significant variability of data entry as noted among local Employment Centres.

*Main issues that should be dealt with before relying on local administrative data on vacancies are: partial coverage and incomplete databases, together with the weak role of the Public Employment Services in matching labour supply and demand and wide disparities across regions.*

All these elements negatively affect the quality, completeness and timeliness of each of the regional databases. And consequently, several barriers should be overcome to solve these limitations.

*In view of these drawbacks, labour market information on future employment entries, labour mobility and unemployment used for migration planning come from ISTAT official statistics gathered through labour force survey.*

Firstly, the current "federated" governance system of employment services provision should be streamlined so as to consolidate a coherent and complete nation-wide information system. Secondly, the persistence of certain unfavourable habits of thought and patterns of behaviour, combined with normative barriers, should be tackled to improve information management and coordination among all

stakeholders. And, thirdly, further financial resources should be provided (e.g. many regions depend on European Union funds from the European Social Fund). More efforts should be dedicated to monitor and update Employment Centres' registries, especially in those situations in which informal contacts and social networks constitute the main channel for labour supply and demand matching. In these situations, increased incentives could motivate agents to use the official regis-

tries, and where market forces require rapid matching (for instance, low skilled occupations with high turnover rates), ad hoc surveys on labour market dynamics could be also envisaged.

#### *Some remarks to this section*

As described in above paragraphs, there is a wide range of factors that prevent the use of Italian vacancy registries for labour shortages measurement. In fact, this source of information is deemed underdeveloped and for this reason, not used by the Italian authorities for the purposes of migration planning (see last section). The fragmented information on job vacancies cannot provide reliable information on the composition and future evolution of local labour shortages.

Therefore, labour market information on future employment entries, labour mobility and unemployment used for migration planning come from ISTAT official statistics gathered through labour force survey. In fact, this is the data that is used by the Ministry of Finance to estimate future macroeconomic labour market performance.

As a matter of fact, the Italian Institute of Statistics (ISTAT) does not collect information that is useful for the identification of labour shortages and hence, functional to migration programming. Certainly, upcoming EU regulation requires official statistics on job vacancies. Italy should provide standardised information on vacancies to Eurostat to monitor at EU level the advance towards Lisbon targets (in particular, such data is necessary to assess advance of the European Employment Strategy's Employment Guideline No. 10). In this sense, ISTAT is currently developing a survey, named Job Vacancies and Hours Worked (VELA), which should collect vacancy statistics for a population of enterprises with at least one employee. VELA is confidential (i.e. not for public use), because it is still at the experimental stage to ensure that appropriate methodologies are adopted to fulfil Eurostat's

*Key elements for developing a valuable labour information system on the basis of local data but able to build up a reliable picture of nation-wide labour market dynamics are: plan which type of information will be necessary and create forms and software accordingly, technical and organisational capacities will then need to be developed, and the central level will have to be able to coordinate data collection and assessment.*

data requirements. Yet, ISTAT officials note that such a survey is not meant to be used for migration policy programming. It has been explicitly design to respond to these legal obligations; hence, it is not deemed suitable for the assessment of labour shortages<sup>14</sup>.

Nonetheless, we could expect that Italian information on registered vacancies will progressively improve. Some of the elements to be considered can be outlined.

The Italian case is interesting as it is useful to notice the importance of taking advantage of the fact that most of the statistical databases and instruments are at their initial stages to ensure that they are developed in an integrated and coherent manner. This is crucial for the achievement of a coordinated information system on vacancies that is reliable enough for the purpose of labour market assessment.

Such a system should clearly combine both information about job offers by employers (demand) and about applications by job seekers (supply), as well as recognising local particularities of a certain labour market while coordinating all information at the national level. Combining detailed information on local markets and a comprehensive/coherent picture at the national level is necessary to define appropriate policies and guidelines at national level while allowing regions and provinces to adapt them to the local particularities.

Specifically, this requires foreseeing the use of such an information system and defining the information systems accordingly. Important elements are the continuous updating — in this sense, the computerisation of administrative practices is a clear advantage and key step.

In operational terms, Trivellato (2006a, 2006b) gives some suggestions for developing a fully-fledged and valuable labour information system. The following issues should be solved: at the ear-

<sup>14</sup> Interview with ISTAT official responsible for the development of the VELA Survey.



ly stages, all information requests should be foreseen and then, software, administrative forms, etc. should be developed accordingly; next, accurate statistical information needs to be produced, for that technical and organisational needs have to be handled and finally, information needs to be disseminated to all stakeholders.

Furthermore, another key element is reinforcing the coordination of information collection and assessment at central level. In this sense, updates and cross-checking of the administrative data collected on vacancies and supply-demand matching can be facilitated if they are coordinated with other sources of administrative information such as INAIL (National Institute for Insurance against Accident at Work), INPS (National Institute for Social Security) and Tax Authority. For instance, this could facilitate the work of editing to re-built longitudinal series of previous years.

Some illustrative information can also be derived from other types of researches on vacancies, such as the one performed by ISFOL based on advertisements of vacancies in the media. It should be noted though that such a research based on the periodical collection and classification of vacancies advertisements is just a partial portrait of the labour market. Some sectors and types of firms may be more prone to, or more resourceful in, investing in selection campaigns publicised in the media. Although it is difficult or almost impossible to control which of these vacancies are being filled<sup>15</sup>.

In conclusion, for the purposes of migration planning, estimating demand through unfilled vacancies is necessarily an important element to determine the volume and skills composition of inflows according to specific sectors or occupations for which shortages have been diagnosed. However, Italy is still missing a coherent and complete information system on vacancy data, which is a decisive factor in adequately assessing labour market dynamics and spot labour market bottlenecks. The above-described shortcomings of the existing databases and capacities of Italian Employment Centres explain why the employer survey Excelsior (see next) has become the primary means for estimating labour shortages in Italy. Furthermore, ISTAT and ISFOL occupational surveys (see section 1.4) could also provide some useful information for migration planning, especially if the latter would move towards a more selective approach regarding the skill profile of prospective migrant workers.

### 3. An employer survey: the Excelsior Information System

#### **Introduction**

Employer surveys and reports are another possible measure for labour market shortages. The Italian Excelsior Information System falls under this category. The present section will describe this practice, including the methodology for data collection and a critical assessment.

The Excelsior Information System is carried out by Unioncamere (Union of Italian Chambers of Commerce), in agreement with the Italian Ministry of Labour and Social Affairs and the EU (European Social Fund). The total annual budget is around 1,8 million Euro. This business survey was launched in 1997 and since then, it has been repeated on a yearly basis. After a decade, this survey on business hiring intentions is a standing source of information about the performance and future developments of the Italian labour market.

*Excelsior Information System is an employer survey carried out annually by the Italian Union of Chambers of Commerce.*

Employers are asked about their hiring intentions in the following year by occupation. Excelsior is included in the official statistics produced on an annual basis within the Italian National Statistical System (SISTAN).

Excelsior annual surveys are based on more than 100 thousand sample respondents/private enterprises (out of a universe composed of more than 1,25 million formally registered and active firms), located throughout the national territory. The information contains detailed information provided by Italian enterprises which allows for the identification of labour market trends and the

---

<sup>15</sup> For more information on this initiative, see: <[www.isfol.it](http://www.isfol.it)>

*Excelsior annual surveys are based on more than 100 thousand sample respondents/private enterprises located throughout the national territory. The information contains detailed information expressed by Italian enterprises which allows for the identification of flows of employees being recruited or dismissed, and also, most wanted professional profiles.*

related structural changes in terms of emerging profiles and training requirements. Surveys encompass almost all economic private sectors<sup>16</sup> and businesses of all sizes. From a territory viewpoint, data is disaggregated down to the province level. By processing interview results, forecasts are made about the flows of employees being

recruited or dismissed. Also, the most sought-after professional profiles are indicated and their most relevant characteristics specified. Most importantly, the survey also provides the information by which to estimate business needs for foreign workers by Italian firms. Specifically, the survey comprises occupational needs for Italian and migrant workers, such as age, educational level, previous work experience required, difficulty of enterprises in recruiting the profiles required, the need to provide further training, etc.

*The sample is developed differently depending on the firm-size.*

*For firms up to 50 employees, stratified random sampling is used. Whereas, for larger firms, the whole universe is used.*

### **Methodology (2007 edition)**

As stated above, the sample is around 100,000 private firms of different sizes and sectors, distributed all over the Italian territory. The universe of firms taken as reference to build the sample are

*For the first group, stratification takes into account economic sectors, types of firm-size and geographical location to ensure the final sample is representative.*

all firms functioning in the current year and are registered in Italian Chambers of Commerce; besides, firms taken into account are those with at least an employee (i.e. individual entrepreneurs are excluded)<sup>17</sup>.

Excelsior relies on a sample of firms with up to 50 employees and on the universe of firms with more than 50 workers:

- For firms with up to 50 employees, Excelsior applies stratified random sampling, which leads to greater representativity. The resulting sample recognises particularities of the economic Italian background. (See below)

*Further, the latter is further guaranteed through a dynamic matrix, which allows to annually adjust sampling weights.*

- For firms with more than 50 workers, the whole universe is used. The reason for this is two-fold. First, biased results would emerge if inferential procedures were pursued due to great variability within this firm category, and second, the non-response rate for this firm category has been high in previous editions.

In that sense, for the first group, stratification takes into consideration several variables so that the sample is representative of the Italian context; particularly:

*The questionnaire is quite long and detailed.*

- 43 economic sectors,
- two types of firm size based on number of employees: 1–9 employees, 10–49 employees),
- 103 provinces.

<sup>16</sup> Public sector (government, health and education) is excluded. Conversely, some professional activities, registered in sectoral databases, are included (for instance, legal offices), on the condition that they have at least one employee. The agricultural sector is also included in the assessment, albeit through a separate survey that acknowledges sector specificities.

<sup>17</sup> In order to assess that these requirements are fulfilled, the latest available version of the Register of Enterprises (i.e. 31.12.2004) is cross-checked against other official records available within the Italian National Statistical System (SISTAN), such as INPS (National Institute for Social Security), INAIL (National Institute for Insurance against Accident at Work) and Tax Authority.

To ensure that the sample is representative over time, every year the stratification process is adjusted according to changes in the economic framework and in the geographic distribution of firms. To do so, the sampling matrix is conceived in a dynamic way. For each province, economic activities are classified according to two criteria:

- A minimum threshold of agents belonging to that economic activity is reached. Economic activities below this threshold are excluded from the local sample.
- A minimum threshold of specialisation (calculated in terms of number of employed in that activity) is reached.

*Firms are also asked whether they intend to hire foreigners. In particular, employers distinguish seasonal from non-seasonal, and also inform about skills required and other features.*

#### *Data collection...*

Hence, for each province, Unioncamere adjusts annually the sampling weights according to the economic profiles at local level. This should lead to more significant results, as not only does it take into account year-to-year, but it also accounts for the great diversity of economic and occupational profiles across Italian provinces. Once the stratification is concluded, each of the strata is quantified, so that estimates can be obtained later on for both firms' decisions about hiring and number of projected hires. The sample size is such that ensures a 95% of significance level, and 10% standard error. The sample design is made in such a way that for every province, information about a minimum of 27 economic sectors is collected. Next, each of the individual samples is randomly selected.

#### *Data analysis...*

The questionnaire is quite long and detailed. It is structured in 6 sections (i.e. 28 questions), that ask information about projected hires. For those firms that foresee new hires, there are questions about which channels shall be used to reach candidates, and which contractual arrangements shall be used for new employees. Questions about the required professional profile of projected vacancies are also included. Among other things, there are also some general questions about the performance of the firm over the last year (e.g. current workforce, turnover, launch of new products or services). For those firms not foreseeing new staff hires, there are questions asking the reasons.

Since 2000, firms are also asked whether they intend to hire foreigners to cover those job positions. In particular, employers inform about their hiring intentions of foreign workers distinguishing between seasonal and non-seasonal, and also about skills required and other features that the candidate should satisfy. For instance, firms specify whether new foreign staff should have relevant experience or not. In this case, employers should express the intention of providing new staff with training at an internal level. However, the questionnaire does not specify whether these foreign workers will be hired abroad or whether they are already living in Italy.

*Methodological adjustments introduced to the Excelsior survey over the years to increase accuracy of collected information.*

At the stage of data collection, Excelsior team uses different methods for two subsets of the sample. First, for those firms with less than 250 employees<sup>18</sup>, phone interviews are carried on through the C.A.T.I. (Computer Aided Telephone Interview) methodology. This applies to around 95 thousand firms and requires at least 300 interviewers. And second, firms with more than 250 employees, direct interviews have been performed. This applies to about 4,000 firms and around 120 people are necessary. The data is collected over a period of several months. Precisely, in the last edition, interviews took place between January and April. Next, collected data is centralised and the analysis is performed exclusively by the Research Centre of Unioncamere. The research team is composed of around 30 people. There is no formal evaluation procedure, the methodology is improved by doing; contrasting previous results with actual data (see after).

<sup>18</sup> Excelsior recognises that on many occasions firms with 50 to 99 workers have not always been available for the interviews. Similar problems have been reported for firms with more than 100 workers. Hence, when no contact is possible, Excelsior opts to estimate main variables through the results from other interviews.

Analytical results at a national level are published annually. Besides, annual datasets at all levels of aggregation (province, region, national) are easily accessible on-line. Categorisation of regions, sectors, occupations and education levels are adapted to official, standard systems. For instance:

- there has been a great effort to adopt the classification of professions to the ISTAT 2001 system and the ISCO-88 system, and
- the classification of economic sectors is based on NACE, which is the Classification of Economic Activities in the European Community; and provinces correspond to the NUTS3 geographical areas.

Actually, qualitative and quantitative information contained in the dataset is broadly used by academia, and also by Italian regional and local administrations, and policy-makers in a variety of matters, including migration planning (see section 1.7). The Excelsior survey provides a concrete support for the evaluation of the actual needs of enterprises. In particular, it contributes to facilitate the matching between labour supply and demand, as well as to the definition of policies concerning education and professional training.

For the purposes of the present work, we consider it interesting to recall some of the methodological adjustments introduced to the Excelsior survey over the years. Initially, firms were requested to express their projections on a biannual basis, but, in view of difficulties to satisfy this requirement by small-sized firms, they are now asked to answer about their intentions on an annual basis.

*Critical Assessment of  
Excelsior*

Secondly, the period and calendar for data collection have also been modified to adapt to business practices and thus, improve data representativity. Information is now collected in the first quarter. This should facilitate responses about hiring intentions, as, at that point,

the annual business strategies have already been adopted and some new hirings may have already taken place. In fact, the closer the data collection is to the reference date, the more precise the information about the hiring intentions of employers will be, due to the nature of job vacancies, which are characterised by volatility and may not be systematically tracked in business information systems.

*The share of hires of immigrants to total projected hires for 2007 would be larger than the proportion of immigrants within Italian labour force. Nonetheless, some qualitative aspects of the phenomenon should be further assessed.*

Thirdly, the questionnaire has also been adjusted so as to collect more detailed information on skills profiles and occupations, as well as on motivations (not) to hire of em-

*In particular, the demand for foreign workers could respond to other factors linked to individual business strategies or human capital management at firm level.*

ployers. As stated above, since 2004 Excelsior has adopted standard categorisations for occupational groups and sectors, which allows for comparisons to official data on actual hires and assess the quality of the annual projections.

All these changes are believed to increase accuracy of collected information about new engagements and their profiles. As expressed in the latest Excelsior Report, the

ultimate goal is that of obtaining more precise estimates of employer needs so that they can be translated into policy recommendations.

Last but not least, we recall another innovation introduced in the latest edition. The Unioncamere team has produced projections for overall labour entry rates and occupational needs for the period 2007–2010. Recognising EU Lisbon goals nearing deadline, the aim is to produce reliable estimates about the evolution of labour demand that effectively contribute to the definition of education and training policies that effectively respond to employers' interests.

The methodology adopted has reconstructed projected sectoral stocks for the period 1970–2004, and has elaborated a four-year forecast up to 2010. Specifically, such an exercise has required the elaboration of information from previous editions so that it would be fully compatible over the whole period. Relying on the 10-year series of Excelsior surveys, estimates have been obtained



for potential overall entries to labour market from an employer-side perspective for 2007 to 2010. More disaggregated information by occupational level (ISCO at two digits) is obtained by limiting the analysis to employee category and using Excelsior data of the period 2001–2006.

However, it should be noted that estimates on future entry rates apply only to external hires, and that internal career developments are not taken into consideration. This would explain why Excelsior's results differ from those of other supply-based surveys. Still, internal careers can be traced in Excelsior projections, as it is included in the forecasts of the evolution of occupational stocks.

### **Critical Assessment of Excelsior's potential for the identification of foreign labour needs**

As stated, Excelsior includes a differentiation between domestic and foreign workers when asking about hiring intentions. Thanks to this, Excelsior provides also information about requirements for foreign workers by employers, including some qualitative information about the skills profile.

*Advantages of Excelsior: a robust methodology, a ten years time series, a fully-fledged organisational apparatus, and policy relevance both at national and regional levels. But weaknesses are observed as well...*

The structural nature of immigrant workforce in the Italian labour market emerges also from Excelsior data. The share of hires of immigrants to total projected hires for 2007 would be larger than the proportion of immigrants within the Italian labour force. Also Excelsior reports ethnic segmentation, a distinguishing feature of Italian labour market.

Recruitment difficulties in certain sectors or occupations could also be correlated to an increased demand for foreign workers. Projected new hires would be concentrated in Northern regions and in small firms.

Nonetheless, Excelsior team recognises that some issues should be further assessed, such as qualitative aspects of the phenomenon, especially as new trends continue to emerge. For instance, in this latest edition, a novelty referring to foreign labour needs is employers' growing demand

for experienced immigrants. Nonetheless, it remains unclear whether this trend would also be explained by business strategies more than structural labour shortages in certain sectors or occupations. Excelsior does not seem to be able to answer to this, which is actually relevant as regards to migration planning.

*On the one hand, Excelsior provides a great deal of information about the profile and sectoral distribution, as well as geographical, of labour demand for foreign workers...*

In particular, the demand for foreign workers could respond to other factors linked to individual business strategies or human capital management at firm level. This can be noticed as data are analysed at lower levels of aggregation.

a. For instance, in the 2007 Excelsior edition, sectoral divergences are observed. The industrial sector reports more recruitment difficulties than the service sector. The latter would suffer less thanks to the absorption of the major share of migration inflows over the past years.

b. Similar observations are noted when analysing the relationship between recruitment difficulties and foreign labour hiring by firm size. Immigration is recognised as a structural feature of labour supply of small-sized firms, but larger firms do not seem to perceive foreign workers as a key element of their human resources design. (Excelsior 2007 Report, 2007, pp. 127–129)

*On the other hand, in the context of migration planning employers' hiring intentions should not be confused with labour shortages, as employers' hiring intentions may produce a partial picture of the scale and causes of shortages.*

Hence, Excelsior data cannot provide a straightforward answer to the presence of significant correlation between recruitment difficulties and projected hiring of foreign labour.

In conclusion, Excelsior is a significant source of information on labour needs as perceived by employers. It collects information about the stock of employees at the end of the year and of the employers' hiring and firing intentions for the following 12 months (flows). Therefore, in view of

these methodological features several comments can be produced about Excelsior's potential for projections on labour shortages. The table below summarises main strengths and weaknesses of Excelsior (for a more detailed overview, see Annex A.5).

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>– Robust methodology: representative sample of firms and well-articulated questionnaire that has been improved over time</li> <li>– Survey has been systematically conducted on a yearly basis for a decade (i.e. ten years time series)</li> <li>– Fully-fledged organisational apparatus</li> <li>– Policy relevance both at national and regional levels</li> </ul>	<ul style="list-style-type: none"> <li>Survey based solely on business-side information (i.e. partial view of overall labour market dynamics)</li> <li>– Demand for foreigners by households is not included (i.e. domestic and care services)</li> <li>– Employers' hiring intentions of foreign workers do not distinguish between new arrivals and foreigners already in Italy, nor does it differentiate between citizens from EU Member States and from third countries</li> <li>– Results cannot be directly compared by labour supply-side sources of information</li> <li>– Survey heavily relies on capacity by firms to report their hiring intentions for the next period (i.e. not all employers may be equally capable of doing so)</li> </ul>

In conclusion, while Excelsior provides a great deal of information about the profile and sectoral distribution, as well as geographical, of labour demand for foreign workers, migration policy cannot rely only on this source of information about labour needs. Political aspects (such as fight against illegal immigration and security issues) and capacity of absorption of social services and local societies is also to be taken into consideration in migration planning. Furthermore, much of the demand-side requests for policy intervention could also be addressed through structural interventions in education and training systems. In this sense, employer surveys may also be useful for these purposes, as they provide a more detailed picture of the occupational and qualifications composition of employment requirements in different sectors.

However, when referring to Excelsior in the context of migration planning, employers' hiring intentions should not be confused with labour shortages. On the one hand, the idea that foreign workers are complementary to native workers is institutionalised in the Excelsior System. That explains why employers that respond to the survey appear to have separate hiring strategies for foreigners and natives. On the other hand, employers' hiring intentions may produce a partial picture of the scale and causes of shortages. For example, employers may argue that they need foreign workers for hard-to-fill vacancies when the actual reason is their reluctance to adjust their recruitment conditions or production standards. Hence, we would then face labour market tightness rather than absolute shortages. Also, employer surveys tend not to differentiate between frictional and structural causes of vacancies. Similarly, comparing employer surveys' results with other sources of information based on labour supply may entail methodological and conceptual issues.

#### 4. Developing an Italian system to assess occupational needs

*The Italian Ministry of Labour has recently started to support a series of projects that intend to establish a more complete and structural information system on future skill needs and skill formation.*

The Italian Ministry of Labour has recently started to support a series of projects that intend to establish a more complete and structural information system on future skill needs and skill formation. Ultimately, it allows for identifying occupational needs. However, they are not cross-checked with labour supply side data. One of the components of this project is the forecasting exercise supported by ISFOL (Institute for the Development of

Vocational Training), which estimates employment by sector and region, as well as occupational projections with a significant level of detail. Another component is the recent research work by ISTAT (Italian National Institute of Statistics) that should shed light on the skill content of each detailed occupation. They are both relevant examples of an increasing interest by Italian authori-

ties in addressing labour market tightness by adjusting education and training strategies to emerging occupational trends. It should be noted that both initiatives are rather recent. Furthermore, no social partners or other stakeholders are involved in these projects and there is no direct and explicit link to migration planning.

#### 4.1) ISFOL — forecasting occupational shortages<sup>19</sup>

*Since the late 1990s, forecasting model on occupational needs at national and regional levels has been run by two research centres with the support of the Italian Institute for the Development of Vocational Training.*

In Italy, experience in occupational needs forecasting is rather recent. In the late 1990s, the ISFOL (Institute for the Development of Vocational Training) commissioned two private institutes (REF — Ricerche per l'Economia e la Finanza, and IRS — Istituto per la Ricerca Sociale) to develop a methodology for forecasting occupational needs at national and regional levels. Since then, REF

*Midterm estimates are obtained on the basis of a three stage procedure.*

and IRS have been estimating occupational needs covering the whole spectrum of occupations, with the financial support of ISFOL. Results are available on-line and are broken down by regions and by economic activity (isfol.tilab.com). At the moment these are the only occupational projections existing in Italy which cover the

whole spectrum of occupations. Resulting midterm forecasts cover a period of five years. Thus far, projection exercises have covered the periods: 2002–2007, 2004–2008 and 2005–2009.

ISFOL also publishes short term projections based on annual Excelsior results, which are adjusted to the occupational classification used. In practice, this simply requires translating occupations according to ISCO88, as used within Excelsior, to ISTAT CP2001 classification (which is consistent both to international standards — ISCO88/ISCO88(COM) — and to domestic ones previous to standardisation — ISTATCP1991).

Specific to midterm projections, the REF-IRS/ISFOL forecasting method follows a three stage procedure:

- Based on official sources of data (ISTAT's Labour Force Survey micro-data and some census information, estimates from Decree on Economic and Finance Planning from the Ministry of Economy and Finance), the first stage involves estimating a set of sectoral employment equations. Every time forecasts are repeated these equations are re-estimated. Equations included following exogenous variables: labour and capital costs, value added, and a measure of total factor productivity. An inverted constant elasticity of substitution production function has been used for those sectors for which the statistical distinction between output and inputs made sense. For remaining sectors (i.e. public services and other small private services) a trend-based approach is adopted. Future developments of employment by sector are obtained by using projected values for the exogenous variables. This is the only part of the whole exercise in which multivariate relations are estimated. For the rest of the model far less sophisticated statistical tools are used (mostly, extrapolation of trends and shift-share analysis). Sectoral employment is firstly defined in terms of full-time equivalents. Then, the number of people is forecast using variations of shares over time and by projecting them in the future. Employment is not broken down either by gender or by types of employment (self-employed, employees).
- Next, sectoral employment forecasts are transformed into occupational forecasts using an occupation by sector matrix. The coefficients of this matrix represent the manpower technology used in each sector, and they change over time with the production techniques. The values for these coefficients are projected in the future through a trend-based approach. When data is not available over a sufficient period of time, the matrix is kept constant and a fixed coefficient technology is assumed.

<sup>19</sup> This section heavily relies on Dell'Aringa, C. (2007): "Italy", in Towards European skill needs forecasting, Zukersteinova, A. and O. Strietska-Iliina (Eds.), European Centre for the Development of Vocational Training — CEDEFOP, and ISFOL Fabbisogni website <fabbisogniprofessionali.isfol.it>

- Finally, projections are broken down to the regional level. Twenty regions are considered. No equations are estimated at this level, but future developments of sectoral employment at regional level are obtained by extrapolating regional-sectoral employment shares. Then, occupational employment forecasts are produced by using the same occupation by sector matrix as for national level forecasts. Interregional variations of the matrix are not

*Since the last wave of forecasts (period 2003-2008), this forecasting exercise also includes an estimation of replacement demand.*

*Replacement demand for each occupation is measured in terms of outflows of people from that occupation, net of those that enter in that occupation.*

considered, given that historical data cannot be used as many cells would be empty, given the differences in productive systems across Italian regions.

Information on future developments of exogenous variables that appear in the regression (added-value for the whole economy and its main sectors — agriculture, industry and services — labour and capital costs, productivity) is taken

from official documents which report the government targets for future years. Forecasts for the same variables at more disaggregated levels are obtained by using trends and extrapolations of sectoral shares in total added-value. The sectoral classification used follows two-digit NACE standards (though for projections at regional level a higher level of aggregation is used due to small-size cell problems.) The occupational classification is based on ISCO, at two-digit or four-digit levels, depending on the

*... because of certain features of the Italian case, projections of educational content of each specific occupation may be inaccurate as...*

*...it is difficult to disentangle whether this kind of replacement demand implies over-education of the labour force or rather is the result of qualitative improvement required to outperform in a specific occupation. Similarly, it is difficult to control for occupational mobility.*

statistical method to project the occupation by sector matrix (i.e. with fixed coefficients, a more detailed list of occupations is considered; while, for trend-based estimates, a lower level of detail is used).

Since the last wave of forecasts (for the period 2003–2008), this forecasting exercise also includes an estimate of replacement demand (i.e. demand for labour due to the outflow of workers because of retirement, disablement, migration

etc. or because of job mobility). Before that, flows in an out of employment were not considered, and analysis was performed in terms of stocks. Statistics regarding job openings are most needed for employment and training policies and for career guidance. Generally, replacement demand for each specific occupation is much higher than expansion demand (i.e. demand for labour due to employment growth) because it considers the normal process of turnover that covers an enormous volume of people operating in the labour market.

In the model, replacement demand for each occupation is measured in terms of outflows of people from that occupation, not of those that enter that occupation. These outflows are the sum of different components that in turn are measured separately. Outflows from an occupation because of retirement are estimated on the basis of the age composition of people employed in that occupation. Both outflows to inactivity and net occupational mobility for each occupation are taken from the information on transitions between the labour market status that is produced by the Italian Labour Force Survey. Projected values for these last components are obtained by simply extrapolating historical average values.

From this forecasting exercise, it is difficult to project accurately the educational content of each specific occupation because of certain ongoing developments in the case of Italy. Specifically, REF-IRS/ISFOL research team considers that the overall level of education is still increasing in the country, and new generations hold, on average, a higher level of formal education than previous ones. Less qualified (in terms of formal education) people are being replaced by more quali-



fied ones. Hence, it is difficult to disentangle whether this kind of replacement demand implies over-education of the labour force or rather is the result of qualitative improvement required to outperform in a specific occupation. Similarly, it is difficult to control for occupational mobility. It does not cover variables that define the labour supply side. Hence, the model does not interact with the supply side. To date, it does not provide any form of forecast of skill shortages, surpluses or mismatches.

Nonetheless, there are some few cases in which some estimates could be performed. In particular, for those situations in which a stronger correlation between an occupation and a specific level of qualification is found, demand and supply of a specific qualification could be identified, and then, forecasts on occupational shortages could be produced. In this case, the resulting shortages or surpluses would certainly be valuable information to all stakeholders allowing them to develop adequate training and education policies. However, no register of such an exercise has been found to date.

There is no ex post evaluation of the results of the forecast. Every time the exercise is repeated, the accuracy of previous results is assessed against updated data that has become available. The methodology has been adjusted to minimise risks of error in the projections. For instance, quantitative occupational projections are presented at three-digit levels of desegregation, albeit qualitative indications on more detailed (four-digit) estimates are available. Overall, projections conducted so far are rather good at indicating the direction of change of both sectoral and occupational employment, but they are less precise regarding employment variations. This is particularly true for projections with a greater degree of detail.

*Another example of Italy's growing interest in occupational needs is the newly created ISTAT's survey on occupational profiles. The classification of occupations will also contribute to create a common language in the identification of occupational requirements. Yet, it is still under development.*

Yet caution must be observed in reading results because some lack of accuracy in different parts of the exercise may hamper their reliability. In particular, differences between historical data and projections may be attributed to imprecision in data on economic growth rates (i.e. scale effect) and in the regression equations that determine sectoral employment (i.e. industry effect), as well as in the extrapolation of the occupation by sector matrix (i.e. occupational effect).

#### 4.2) ISTAT — sample survey on occupations

Another example of Italy's growing interest in occupational needs is the newly created ISTAT's survey on occupational profiles, commissioned by the Ministry of Labour and Social Affairs. This survey intends to provide timely and reliable statistics on the evolution of the occupational profiles of workers, considering the sectoral and geographic location of their jobs. This is the first time such a survey has been carried out in Italy under the coordination of ISTAT. This classification of occupations will help to create a common language in the identification of occupational requirements.

The survey is based on a sample of around 16,000 interviews conducted through CAPI (Computer Assisted Personal Interviewing). The sample is made up of workers and is representative of all occupations present in the labour market. The questionnaire is structured in ten key sections covering all elements relevant for defining and characterising each occupation, including information on skills, capabilities and theoretical/technical requirements, as well as activities/tasks and working conditions. Data collection concluded at the end of 2007, and at the moment the database is being edited. In coming months, results and initial analysis will be available on-line (ISTAT website). Depending on the resources put at their disposal by the Ministry of Labour, the exercise will be repeated to update information and monitor occupational profiles. But ISTAT has made it clear that this survey will not be carried out on an annual basis but will be repeated in some years time. (See Annex A.6).

## 5. Special studies: a stock-flow model for labour market analysis

Among existing academic and other special studies on labour shortages and the need for migrant workers in Italy, we consider here some of the works coordinated by Prof. Michele Bruni<sup>20</sup>, from the University of Modena, through which he has applied a rather simple and clear-cut methodology that has allowed him to estimate forecasts for regional labour shortages and hence, foreign labour needs in several regions. In particular, we have consulted recent works for the Emilia-Romagna and Abruzzo: “Emilia-Romagna — Fabbisogno occupazionale e saldi migratori: scenari previsti al 2013”, Department of Economic Policy, University of Modena, March 2007; and “La presenza straniera in Abruzzo: situazione attuale e prospettive”, Abruzzo Lavoro, February, 2005.

*A stock-flow model for the labour market through which a series of scenarios and hypothesis are derived.*

*Labour market variables are the main determinants of Bruni's forecasting exercises and thus, economic performance in the receiving society is ultimately considered a major driver for foreign labour demand.*

Both exercises are based on a stock-flow model for labour market through which a series of scenarios and hypothesis are derived. Overall, in contrast to demographic projections prepared by ISTAT, labour market variables are the main determinants of Bruni's forecasting exercises

and thus, economic performance in the receiving society is ultimately considered a major driver for foreign labour demand.

### Introduction

In our opinion, Bruni's approach is interesting for two reasons. Firstly, he provides a critical view of the current policy and political approach to the phenomenon of labour immigration in Italy. Secondly, and most important, his study presents an alternative methodology for forecasting labour needs both at regional and national level.

*...a precise and operational definition of labour shortages is missing in Italy and this creates confusion...*

*Bruni is also critical about using demographic projections for the purposes of labour immigration planning, as they do not consider the evolution of the economy...*

As a start, he argues that a precise and operational definition of labour shortages is missing in Italy. In his view, this creates confusion. Actually, the term “labor shortage” is often used to describe a variety of situations, some of which are not generally considered by economists to be actual

shortages. For instance, migration decision-makers may characterise labour shortages as employers' requests for foreign workers are ultimately assumed to be labour shortages that can solely be filled with new arrivals from abroad. Likewise, he criticises the measurement of foreign labour requirements by Excelsior, as he considers that employers' hiring intentions (labour demand) cannot be directly translated into labour shortages and labour needs at the policy level.

*...a cohort approach is proposed to estimate labour market variables and then includes economic causality in the system.*

*The labour market is modelled through both stocks and flows, as it is believed that flows are also necessary in a context of migratory flows.*

Bruni is also critical about using demographic projections for the purposes of labour immigration planning, as they do not consider the evolution of the economy (i.e. economic growth, employment increases). The latter dimension is, according to him, the main cause for which immigration occurs (i.e. it is not migration policy causing pull effects, but the economic performance of the host country) and hence, it should be taken

into account when running projections for the analysis and forecast of the labour market.

<sup>20</sup> We are thankful to Prof. Michele Bruni for providing his materials, as well as for additional information widely and extensively discussed during an interview.

## Methodology

Compared to other labour market projections, Bruni proposes a cohort approach to estimate labour market variables and then includes economic causality in the system. Hence, the two are particularities of this system relative to other labour market projections as the EU or OECD ones. Firstly, population projections are not the starting point of the exercise but the final goal. Secondly, the method works with demographic and labour market variables altogether. Bruni recognises that such specificities introduce

*Within this approach, it is the flow demand for labour, the main driver of the labour market, rather than the labour supply. Ultimately, labour supply is determined by labour demand and the working-age population.*

*...starting with a projection of a closed population, broken down by gender and age, based on standard demographic techniques. Results are then combined with forecast scenarios regarding employment levels, based on a stock-flow labour market model...*

some further complexity to the calculations relative to other methods, but he insists that they ensure that interrelations between economic and demographic issues are accounted for.

The labour market is modelled through both stocks and flows, as it is believed that flows are also necessary in a context of migratory flows. Within this approach, it is the flow demand for labour that is the main driver of the

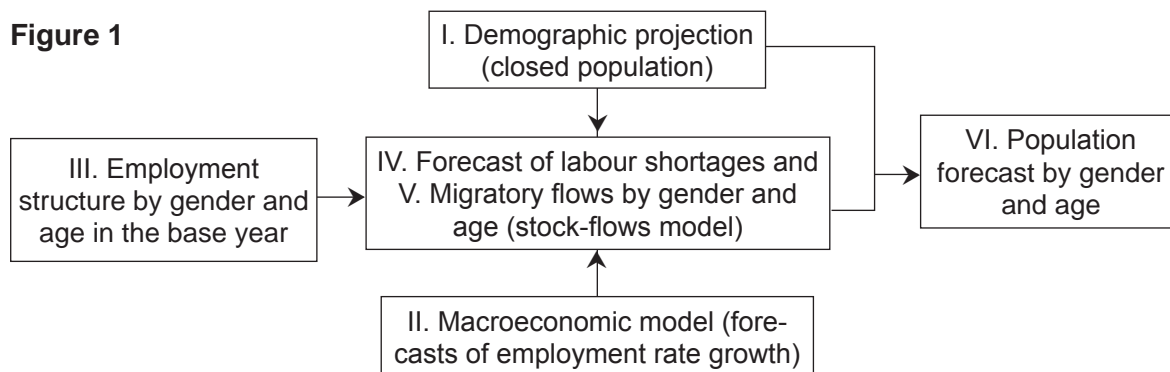
labour market, rather than the labour supply. Ultimately, labour supply is determined by labour demand and working-age population. And hence, the unemployment rate would depend on the evolution of the labour demand and the responsiveness of labour supply to changes in labour demand. Another reason for picking this model may be the fact that in the case of a structural lack of labour supply, equilibrium can only be achieved if the labour supply comprises a foreign component.

Starting sources of data are a) demographic information about the population of reference (by age and gender), from which the working-age component is identified, as well as b) information on employment and participation (by gender and age). Demographic parameters taken as exogenous are the fertility rate of the domestic population and that of foreigners, as well as mortality rates. This information is used to (together with details about the population in the base year) build up a closed population at the year  $t+n$ , where  $t$  is the starting year and  $n$  corresponds to the number of cohorts used.

As regards to the labour market side, employment information by age and gender are used to calculate generational exits over the period of interest, and is combined with information about employment growth which is based on the hypothesis of the team (or it can be obtained from macroeconomic forecasting). Hence, expansion demand is derived. And from it, flow demand can be calculated as the sum of replacement demand and expansion demand, and finally flow supply can be also estimated.

By and large, this methodology can be summarised with the figure below. Bruni proposes starting with a projection of a closed population, broken down by gender and age, based on standard demographic techniques. Results are then combined with forecast scenarios regarding employment levels, based on a stock-flow labour market model that uses the data from the population projections as a basis together with employment level and initial employment situation by gender and age (see next for more details). The figure below reproduces the process:

**Figure 1**

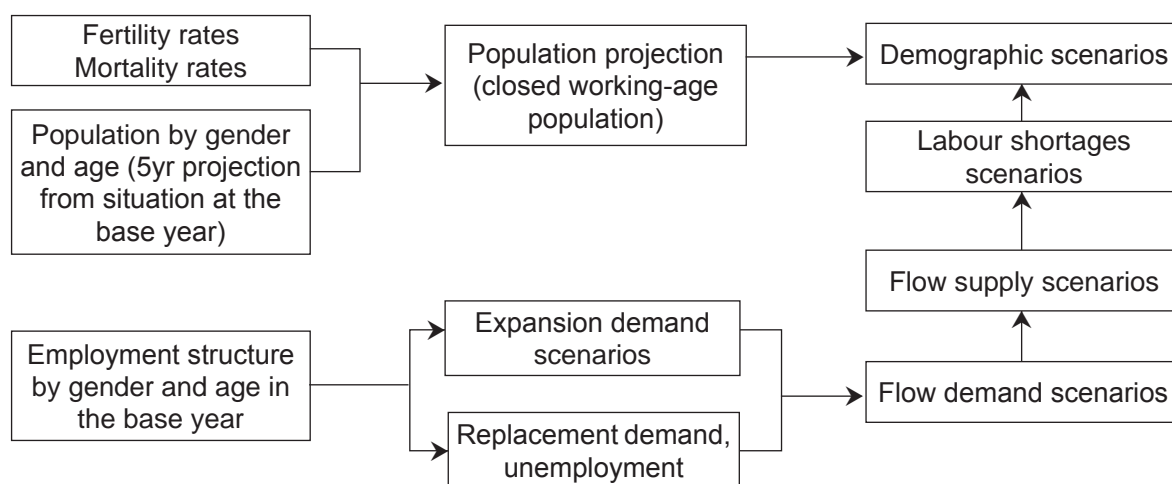


This methodology entails the following steps:

1. A five-year demographic projection of a closed resident population (i.e. no external migration at any age throughout the projection period). [I]
2. Using a macroeconomic model (e.g. official estimates), forecasts of growth of the employment rate are obtained. If no available/reliable, several scenarios can be defined. [II]
3. Labour shortages [III] are estimated on the basis of demographic results [I] and employment dynamics [II], using different hypothesis about labour market participation.
4. Migratory flows [V] are derived from applying to labour shortages the responsiveness of entries from both the outside represented by overall population and the outside represented by employment mobility.
5. The procedure is meant to be repeated on a five-year basis for more accuracy and robustness of results.

As mentioned in the paragraph before, the method foresees using a stock-flow model to analyse and forecast the labour market<sup>21</sup>. In fact, on the basis of this model, alternative scenarios are derived considering different hypothesis for the entries and exits from employment, from the labour market (i.e. total labour force and participation rate). The scenarios prepared through this approach do not consider working-age population as an independent variable, but as a dependent variable determined by natural demographic factors as well as by net migration, which in turn is a function of the lack of domestic labour supply. Here we briefly illustrate the basic thinking behind this theoretical model.

**Figure 2**



According to this model, labour shortages are obtained from the difference between demand and supply (both measured as flows) relative to the population of reference at the base year. This definition holds if the following is assumed:

<sup>21</sup> For further information, Bruni suggests the following references: Bruni, M. and A. Venturini (1997): "L'approccio stock e flussi in un'economia aperta", in L. Vitali and R. Brunetta (Eds.), *Mercato del lavoro: Analisi strutturali e comportamenti individuali*, Franco Angeli, Milano, 1997; Bruni, M. and D. Ceccarelli (1995): *I mercati locali del lavoro: un modello per l'analisi congiunturale*, Franco Angeli, Milano, 1995; Bruni, M. and A. Venturini (1995): "Pression migratoire et propension à émigrer: le cas du bassin Méditerranéen"; *Revue Internationale du Travail*, vol. 134, 1995 / 3; Bruni, M. (Ed. (1994): *Attratti, sospinti e respinti: un'indagine sui lavoratori immigrati in provincia di Bologna*, Franco Angeli, Milano, 1994; Bruni, M. (1993): "Per una economia delle fasi della vita", in SIS and IRP, *Popolazione, tendenze demografiche e mercato del Lavoro*, 1993; Bruni, M. (1988): "A stock flow model to analyse and forecast labor market variables", in *Labour*, Vol.2, issue 1, 1988, pp. 55–116.

- labour is homogeneous and perfectly mobile;
- information about job opportunities is available;
- the labour market is in a situation of full employment;
- exit from the labour market equals exit from employment.

*Labour shortages are obtained from the difference between demand and supply (both measured as flows) relative to the population of reference at the base year.*

In the context of a post-industrial economy, there may be also shortages in the presence of unemployment. There may be occupations for which there are no workers available in the domestic labour market (explained by skills mismatches, segmentation, and low internal mobility).

*Scenarios are built up on the basis of two parameters: employment rate increase and participation rate.*

Besides, this model applies only to formal/declared work, and as Bruni recognises, in Italy there is a relatively well-grounded informal economy. Thus, estimates for labour shortages could be underestimating real labour needs. He says for instance, that for the region of Abruzzo, forecasts could be 20 percent below total real labour shortages.

Next, the scenarios are built up on the basis of two parameters: employment rate increase and participation rate. For each of them, a high, a medium, and a low scenario are determined on the basis of base year's figures. As results, there are nine scenarios of which three are more likely:

- low increase of employment rate and constant participation rate;
- medium increase of employment rate and low increase of participation rate ;
- increase of employment rate and participation rate in line with those of the previous period (trend).

This last scenario assesses the trend evolution of the labour market, which is useful in assessing foreign labour needs if the conditions of the previous period continued in the coming years, and thus measure the impact of structural changes in major demographic factors.

The model, then, defines a series of hypothesis relative to the relationship between certain variables, in particular the relationship between the number of immigrants necessary to fill labour needs and the number of persons coming from other regions (internal mobility, which is relevant if the exercise is run at regional, local level) and abroad (external mobility) in relation to working-age population.

Considering all the concepts reviewed in the preceding paragraphs, the construction of the forecasting exercise proceeds as follows:

- First, the working-age population of the final year of the forecast is calculated by gender and age and assuming no immigration takes place. Age cohorts are calculated on the basis of demographic indicators of the base year.
- Second, generational entries and exits of resident population are calculated.
- Third, employed persons and workforce within this population are estimated according to the conditions established for each of the scenarios. Thus, population by gender and age are multiplied by hypothesised changes in employment and participation rates.
- Fourth, using these estimates, entries and exits from the labour market (i.e. from employment to unemployment, from activity to inactivity, and vice versa). The net results are obtained for all three scenarios.
- Fifth, the hypotheses about employment growth lead to estimates for expansion demand and flow demand (which is calculated as the sum of replacement demand and expansion demand).
- Finally, the difference between the results of workforce and employment provides us with the estimate of the variation of persons seeking employment. Entries to employment can be thus broken down by typology (i.e. first entry to the labour market, inaction in joining the workforce, and the unemployed finding work).



Therefore, for each of the scenarios, we obtain estimates for the following labour market variables:

- overall flow labour demand (which is the sum of replacement demand and expansion demand),
- entries and exits from the employment of resident workers in the base year and relative balance,
- generational entries to employment, differentiated from entries from unemployment and inactivity,
- entries and exits from the workforce of resident workers in the base year and relative balance, and,
- a change in the number of job seekers (which is obtained as the difference between a change in the workforce and a change in employed individuals).

As mentioned above, the result for foreign labour needs is obtained from the difference between expansion labour demand and net balance of resident employed individuals, or from the difference between an increase in jobs and an increase in resident employed individuals. The first item depends on the scenarios of employment increase that has been adopted, while the other depends on the assumption regarding the evolution of the employment rate in the period of analysis.

*Bruni's teams for both Emilia Romagna and Abruzzo, applied this mode*

In practice, Bruni's teams for both Emilia-Romagna and Abruzzo, followed the same strategy. First they considered the current immigration situation (assessment of the quality of existing sources of information, analysis of data on foreign residents, including their labour market performance and the integration of current

foreigners). Next, they applied the stock-flow model on the basis of demographic data from ISTAT and labour market information from ISTAT's labour force survey. Both sources are considered in order to provide a sufficient level of disaggregation of employment information. Operational requisites for the researches were moderate, with medium-sized teams. For instance, if data can be easily gathered and harmonized, 5–10 people can perform the analysis coordinated by one senior researcher, and the exercise could be performed on a medium-term basis (3–5 years).

### **Implications for policy planning**

In conclusion, the implementation of this methodological approach could be quite simple if the concept of labour shortages is clearly understood and widely accepted at political level. In terms of statistical requirements, this approach is relatively undemanding, as it requires standard demographic information together with statistics on labour flows broken down by gender and age.

*Implications for policy planning...*

Through this methodology, research teams coordinated by prof. Bruni reached significant conclusions regarding foreign labour needs in two different Italian realities. Both of them are characterised by high levels of employment and with the growing needs of the foreign workforce as ageing advances. However, it is not clear whether the results were explicitly applied in terms of immigration policy as they concentrate on local realities and the annual quota defined by Italian authorities is mostly dictated by nation-wide perceived needs, whilst the quota is then distributed among regions with no clear allocation criteria.

## **6. Demographic concerns**

In a context of demographic ageing (low fertility rates combined with increasing life expectancy), Italian migration policy and planning would be expected to take into account not only shorter term labour market needs, but also longer term demographic concerns. Population ageing will have far-reaching effects, some of particular importance to

*The population of Italian citizens has been in decline for some time. Natural increases registered in recent years are due to births to foreign parents.*

migration. While international migration cannot hold up the process of ageing, it is certainly having an impact on the demographic profile of receiving countries. The population of Italian citizens has been in decline for some time. Natural increases registered in recent years are due to births to foreign parents. For instance, in 2003, 6.1 percent of all newborns had two foreign parents, although foreigners represented only 3.4 percent of the resident population. (Chaloff, 2005, p. 3/)

In fact, since the issue of the first triannual Migration Planning Document (also known as Documento programmatico) in 1998 (Presidential Decree issued on 05.08.1998, published along with the new migration law), the demographic question has been explicitly taken into account when discussing immigration policy in Italy.

The 1998 planning document included an annex prepared by the demographer Antonio Golini that considered demographic trends in Italy and the outlook for the future<sup>22</sup>. Subsequent migration planning documents also dedicate some space to demographic decline (e.g. document for the period 2007–2009, see section on migration planning), highlighting the role of migration in lessening its negative impact. However, demographic considerations are not used in setting annual immigration quotas.

*Three-year migration planning documents also dedicate some space to demographic decline, highlighting the role of migration in smoothening its negative impact. However, demographic considerations are not used in setting annual immigration quotas.*

Ultimately, ISTAT (Italian National Statistics Institute) demographic projections are only broadly considered for the purposes of migration planning. In particular, demographic dynamics are only considered by the Ministry of Finance in defining the macroeconomic framework for the purposes of estimating immigration inflows for the three years covered by the migration planning document prepared by the Italian government (see below).

Nonetheless, given the relevance of ageing in Italian future demographic profile, we intend to outline the main features of ISTAT's demographic projections exercise.

*ISTAT prepares demographic projections consistent with international methodologies*

ISTAT prepares demographic projections consistent with international methodologies. Projections are updated every five years. The latest projection exercise covers the period 2005–2050, and estimates are presented by gender and age<sup>23</sup>.

To run projections, ISTAT uses a cohort-component type projection model. This model is based on a traditional equation of population, which registers demographic events over time and calculates the living population at the beginning of the following year, adding all the components.

These demographic projections also rely on a series of assumptions about certain fundamentals. Namely, ISTAT projections assume:

*Assumptions about certain fundamentals*

- Life expectancy: The simulation assumes a continuous increase of life expectancy, in line with patterns registered to date. In particular, the projections are based on a hypothesis of increase of average life expectancy from 77.4 years in 2005 to 83.6 years in 2050 for males, while for females it will rise from 83.6 to 88.8 years. These are relevant increases, although they bring Italy in line with other European countries. Such assumptions are argued on the grounds of healthier life styles and on medical-scientific advances.
- Fertility rates: A moderate rise is assumed for fertility rates: from 1.3 children per female in 2005 to 1.6 children per female in 2050, which also responds to convergence to EU levels. In effect, an upwards fertility trend has been noticed over past years (from 1.19 in 1995 to 1.33 children per female in 2004). There are differences at a geographical level, as improvements

<sup>22</sup> See also Golini, A. (1999): Tendenze, problemi e politiche della popolazione in Italia, in *Trasformazioni dell'Economia e della Società Italiana. Studi in onore di Giorgio Fuà*, Il Mulino.

<sup>23</sup> For further information, check: Marsili (2007); and <demo.istat.it/altridati/previsioni\_naz; as well as [www.istat.it/salastampa/comunicati/non\\_calendario/20060322\\_00/nota%20previsioni.pdf](http://www.istat.it/salastampa/comunicati/non_calendario/20060322_00/nota%20previsioni.pdf)>



have concentrated mostly in North and Centre of Italy, which confirms the change of the reproductive model in Italy in which the *Mezzogiorno* had traditionally higher fertility rates.

- International migration: acknowledging the growing relevance of this phenomenon in the Italian context, ISTAT assumes 150,000 additional units per year over the whole period. This level of international immigration is assessed based on historical series, which comprehend all immigrants, independent of their motives for entry (work, family reunion, etc). Note that during the previous decade (1993–2003 decade), the average inflow of migrants has been around 200,000 people annually.

#### Scenarios

ISTAT considers four scenarios: the base scenario, low scenario, high scenario and zero scenario. In greater detail (Marsili, 2007, p. 6):

- The Base scenario hypothesises an improvement of the world's economic and social conditions (both in Europe and in the rest of the world), projecting a net annual flow of 175 thousand migrants to Italy. It considers the migration policies to be not too restrictive thanks to a stable context in regard to economic growth and the social acceptance of immigrants that encourages the integration process.
- In the Low scenario, the European and world economic process is stagnant, with an impact on Italy too. It hypothesises an annual net incoming number of 150 thousand immigrants, net of outgoings. Migration policies are seen as more restrictive and aim at combating the increased driving factors in the countries of origin, following the international crisis.
- The High scenario provides for an internationally accelerated economic growth and social development, and sees 200 thousand new entries net annually. The liberal migration policies support the increased need for a labour force. The improved world condition stimulates a higher mobility of persons all through the world.
- Finally, the Zero scenario sees nil migrations and a population that evolves and becomes older, a population that is subject only to the natural trend components at the previously described levels.

Based on results obtained for the base scenario, ISTAT is rather sceptical about replacement migration in the long run, because migratory inflows to Italy are unlikely to offset the effect of demographic ageing. As noted by Marsili<sup>24</sup> (2007, p. 11): “Whatever the situation will be, the elderly segment of the population will increase while the working-age population will decrease. Such reflection must induce us to consider that an important net migratory flow (150-200 thousand per year) is certainly important for a country such as Italy but cannot be sufficient by itself.”

In fact, if the assumptions of fertility rate and life expectancy hold, maintaining population size would imply migration inflows rather significantly larger than one assumed in the projections. Specifically, annual flows should be around 250–350,000 people. On the other hand, maintaining the proportion of working age population to older people at current levels would require much larger inflows (more than 1.5 million in 2020s and more than 2 million in 2040s). Total population would expand sharply and problems of socio-cultural insertion would be out of hand. (Reyneri, 2007). (See Annex A.7a for demographic projections results.)

Hence, despite the fact that demographic projections should always be read with caution (see Annex A.7b), results show that sizeable and well-managed immigration flows, similar to those registered to date, can only smooth the impact of ageing. However, since migrants will also age, migration is not a sufficient response and essential measures are needed in other policy areas (especially, in the welfare system) (ISTAT, 2005; Marsili, 2007). This has also contributed to mute the idea at policy level that replacement immigration is not a sufficient solution to demographic issues in Italy (Chaloff, 2005).

*Results show that sizeable and well-managed immigration flows, similar to those registered to date, can only smooth the impact of ageing.*

<sup>24</sup> Marco Marsili is head of the department for demographic statistics at ISTAT.

## 7. Migration planning

### Introduction

#### *Main features of Italian Immigration Policy*

Italian immigration policy is employment-driven. Labour migration has been a widely recognised and legislatively endorsed phenomenon since

the mid 1980s (see Annex A.8 for a review of main legislative changes). Currently, and as established in the 1998 Law, the Italian immigration policy is based on three pillars:

- a) fighting illegal immigration
- b) regulating legal migration
- c) integrating resident foreigners

This structure has been maintained over the years, despite changes in government and several amendments. Nonetheless, it should be noted that these three pillars are given different importance both in terms of political support and financial resources. The Italian policy debate has traditionally focused more on issues concerning illegal migration and expulsions, quotas and immigrants' rights, rather than on integration. More recently, efforts to integrate migrants living in Italy are increasing. (Chaloff, 2005)

Thus, immigration policy foresees a three-year planning document and annual quotas for foreign workers. Together with other instruments such as bilateral agreements, and regularisations, as well as repressive actions against illegal immigration.

### **Decision-making process for determining size of migration inflows**

Overall, it seems that many stakeholders are involved in the policy-making process (see box below). However, in practice, ultimate and major decisions depend on the ministries and the government. Specifically, several ministries are responsible for different issues concerning the definition and implementation of immigration policy, while ultimate decisions are made through inter-ministerial consultation. It should be noted that the re-organisation of ministries and sub-ministries in the past legislatures has meant that government institutions may not necessarily correspond to the framework in which the 1998 law was passed. Typically, in Italy, the denomination and allocation of competences among the different ministries changes with the political sign of the government in power. Naturally this informs migration policy-making.

### **Box 1**

#### **Actors involved in the immigration in the policy debate:**

- Governmental bodies (i.e. Ministries)
- Regional government representatives and regional representation bodies (e.g. Conferenza Province Unite)
- Trade unions (CGIL, CISL, UIL), which generally have an immigration representative
- Employers' associations (e.g. Confindustria, Confartigianato)
- Main associations providing assistance to foreigners (e.g. Caritas, ARCI, Italian Red Cross)

In general terms, ministries more involved in the process are:

Ministry of Labour and Social Policy (which in the previous legislature was split into two ministries) is responsible for labour market policy-making and for funding social initiatives. Hence, the current Ministry of **Social Solidarity** ("Ministero della Solidarietà Sociale") is responsible, together with the Technical Committee of the Ministry of Interior, for determining the annual quotas for admission of third country nationals and for the funding of specific projects in their favour. In particular, the DG for Immigration that is responsible for:

- Monitoring admission mechanisms of foreigners, including definition of annual quotas and its distribution across regions, and the following management of permits, entries, conversions, distribution of quotas across regions, as well as the bilateral cooperation with countries of origin.
- Coordination of integration policies, both supporting actions that favour the participation of foreigners in Italian society (cultural intermediation, language courses, etc) and participating in international forums. Further, there is also the Committee for Foreign Minors (“Comitato per i minori stranieri”), which is responsible for protecting unaccompanied foreign minors and foreign minors temporarily hosted in Italy.

Importantly, the Ministry of Social Solidarity deals with social parties i.e employers’ associations and trade unions, as well as representatives of civil society in the field of immigration. It also takes into account regional disparities concerning foreign worker needs, through consultation with regional and local governments. The Ministry of Labour and Social Policy will then issue the proposal for annual quotas, which other ministries involved will consider.

The **Ministry of Interior** is responsible for regulating migration in general (including categories of immigrants other than workers), and in particular directs the release of permits and the management of security issues. It coordinates the Police and the Prefectures as well as the local immigration councils.

The **Ministry of Foreign Affairs** is also involved in the process, especially regarding bilateral agreements with countries of origin, and hence, pays particular attention to those nationalities for which privileged quotas exist. Furthermore it manages the network of consulates and diplomatic offices that issue visas for entry.

Finally, the Prime Minister will issue a decree with the definitive number and categories and nationalities of foreign workers that may be admitted.

### ***Relevant instruments for the management of labour immigration***

By and large, Italy’s immigration system is employment-driven. Implicit priority and preference is given to admission of foreign workers, so that they fill domestic labour shortages. To date, the system has mostly channelled foreign workers towards low-skilled occupations. More recently, foreign labour needs have arisen in certain specialised manual occupations, especially in the construction sector, but also in industry, tourism and services (as reported also by Excelsior). Agriculture is also an important sector. While seasonal work was relatively favoured in the past, there have been trends towards a more permanent system (in view of latest government declarations). (Chaloff, 2005, p. 4.)

In particular, main instruments to manage admission of foreign workers are annual quotas, bilateral agreements for cooperation with sending countries rewarded with privileged quotas, and regularisations (seeing them as ad hoc instruments that allow for undocumented employed migrants to achieve more stable and protected labour statutes).

An overall ceiling is determined for the following years’ new legal entries. Each annual decree (also known as “decreto flussi”) determines the number of incoming foreigners. Separate quotas are defined for citizens from new EU Member States and third-country nationals, as well as there are different ceilings for seasonal and non seasonal work. Some professional categories (i.e. athletes, interpreters, nurses) are unrestricted.

In Italy, the very existence of a quota system is justified on the assumption that in the absence of limits, the numbers of incomers would be much higher and imbalances caused by these massive inflows are undesirable. (For the evolution of quotas, see Annex A.9, Table 1/)

*Main instruments to manage admission of foreign workers are annual quotas, bilateral agreements for cooperation with sending countries rewarded with privileged quotas, and regularisations.*

*In Italy, the very existence of a quota system is justified on the assumption that in the absence of limits, the numbers of incomers would be much higher and imbalances caused by these massive inflows are undesirable.*

For many years, quotas in place in Italy were excessively restrictive as the aim was reducing the number of entries. However, illegal flows rose and many undocumented migrants found employment in the informal economy. Labour needs persisted both for Italian firms and households. The numerical ceiling has increased over the last decade, even if between 2002–2004 quotas were significantly more restrictive and gave preference to seasonal work (see table above). In 2006, the ceiling, totalling 170,000, was exceptionally high (especially if we consider that an additional quota worth 350,000 was added

in the second half of the year). That was an unusual action by the centre-left Government, which took into account the number of rejected applications by employers over previous years. It was an implicit regularisation mostly oriented to dependent work. Such intervention should not be expected in the future, as Italian authorities explicitly stated that in coming years, adequate ceilings have to be established, which take into consideration both internal demand and the general condition of the labour market.

The permit for job seekers was an interesting type of permit that was foreseen by the 1998 Law, but that was in place only for two years (2000, 2001). While it was a channel to attract and admit skilled immigrants, they were issued on a first-come first-served basis, rather than on the basis of any characteristics of the applicant. Nonetheless, such a permit has been proposed again under the proposed law Amato-Ferrero, as it is seen as a channel to improve the matching between labour demand and labour supply.

Furthermore, since 1998, Italy has provided privileged admission channels to countries willing to cooperate on the control side (see table 2 in Annex A.9). For instance, Tunisian citizens have to apply for admission to Italy within the limits of their respective privileged quotas. Privileged quotas are decided unilaterally by Italy. Since the 2002 amendments, this component has been reinforced, as indicated by the number of new bilateral agreements undersigned by the Italian government with sending countries. It should be noted that nationalities given preference have nothing to do with labour needs, since employers' associations do not explicitly express any specific requirements for any of the nationalities favoured with preferential quotas. Also, the fact that annual quotas have been rather restrictive for many years has been a disadvantage for these nationalities, which would sometimes have better chances of being admitted under the general quota rather than the one corresponding to their nationality. In this sense, privileged quotas do not definitively respond to labour needs for foreign workers, but rather to the belief that these bilateral agreements shall constitute an effective tool to manage immigration and, specifically,

*Since 1998, Italy has provided privileged admission channels to countries willing to cooperate on the control side.*

*As formally recognised, regional and local governments are to be consulted in the definition of the annual quota.*

*However, in practice, there is no formal and standard process of consultation with regions and social partners. And the annual quota is decided by the Ministry of Labour and Social Affairs in consultation with other Ministries (Interior and Foreign Affairs).*

counter illegal flows – through bilateral re-admission agreements and/or police co-operation. However, their effectiveness is usually questioned, in view of the continuous arrival of irregular migrants<sup>25</sup>.

As formally recognised, regional and local governments are to be consulted in the definition of the annual quota. In fact, immigration is recognised to have a direct impact at the local level, and quotas for entry of workers are distributed on a

<sup>25</sup> Furthermore, under the framework of these bilateral agreements with sending countries, the Italian authorities have funded training for third country nationals in their own countries and then given them priority in admission within the annual quotas. Vocational training courses are oriented towards specific identified needs, such as specialised industrial workers.



geographical basis, considering different labour needs and absorption capacity across regions. (Chaloff, 2005, p. 4.)

However, there is no formal and standard process of consultation with regions and social partners, contrary to the Spanish case. In practice, the annual inflow of foreign workers admitted through the quota is mainly determined at ministry level, and lower levels of government appear to have a secondary role. Furthermore, in the absence of a clear methodology to measure labour needs, the annual quota tends to be set at a similar level to that of the previous year, while political factors seem to play a more relevant role than it would seem.

Annually, and once the annual decree fixing the quota has been released, the Ministry of Labour and Social Policy distributes annual quotas across Italian regions, according to their labour needs while leaving a reserve for adjustments. It should also be noted that since 2002, the legal framework also takes into account local absorption capacity, which is mainly measured in terms of housing availability. Employers are required to guarantee accommodation to foreigners admitted to Italy. Hence, when distributing quotas geographically, the lack of availability of housing may hamper immigration flows to specific regions. In other words, if a region has significant labour needs, but housing problems, it would be allocated a lower quota of immigrants. However, no information on this type of calculation is available.

For 2007, the annual quota totalled 170,000, of which 155,900 were distributed among the Italian regions taking into account above-mentioned criteria (see table 3 in Annex A.9). With the result that more than half the quotas have been allocated to four regions: Lombardia, Emilia-Romagna, Veneto and Lazio. For these regions, in general, the component of quotas that responds to labour needs is relatively higher than “privileged” quotas, which depend on other criteria.

*Admissions are dependent on employers' direct calls and are conditioned to an economic needs test.*

Hence, on the basis of these ceilings, the admission of foreign workers takes place. It is perhaps useful to briefly describe the procedural mechanisms for the admission, which with 2002 amendments' have been rather restrictive and complex, especially for non-seasonal workers. In fact, for the latter, admissions are dependent on employers' direct calls and are conditioned to an economic needs test. The needs test is required for all third-country workers. Their request passes through the Prefecture office, which is linked to the local employment offices. The employment offer publicises the job opening for at least 20 days. If no Italian or foreign resident has replied, the employment office notifies the prefecture office. Then, the request may be approved. On the other hand, seasonal workers and the self-employed are exempted from the needs test. Overall, the admission mechanism for non-seasonal workers proves to be excessively rigid and lengthy to ensure that labour needs are matched. This results in a series of negative effects, which boost irregular immigration and informal employment.

*Regularisations have been implemented several times to deal with irregular immigration...*

In this sense, it is worth mentioning the role of **regularisations** in the Italian case. As Chaloff (2005, p. 4) argues, each change in legislation since 1986 — at roughly four-year intervals — has been accompanied by a mass regularisation, although in each case the government thunders that “this is the last regularisation”. In practice, regularisations have been an ongoing measure to correct and adjust annual quotas. Each successive regularisation has been declared a one-time corrective mechanism to compensate for the defects of previous legislation. Many issues are interlinked with the large presence of undocumented migrants in Italy. In fact, the rapid rate at which Italy fills with undocumented migrants is attributed to the large undeclared economy in which employment is available (Reyneri, 2007). (See Annex A.10 for further information on regularisations in Italy.)

*The three-year planning document required under the 1998 framework law is meant to take stock of past immigration flows and the state of the integration of immigrants into the Italian labour market and, more generally, their social settlement into the country. The three-year documents have tended to concentrate on the aspect of control and repression of undocumented migration.*

### ***Three-year migration planning document***

Article 3 of the 1998 Immigration Law (Framework Law, or Testo Unico, No. 286/1998 — see annex) requires the government to prepare a triannual migration planning document (“Documento programmatico relativo alla politica dell’immigrazione e degli stranieri nel territorio dello Stato”). This document is published by Presidential Decree and contains an assessment of main areas of intervention and delineates main policy guidelines on which quotas and other migration management mechanisms will be based. The three-year planning document required under the 1998 framework law is meant to take stock of past immigration flows and the state of the integration of immigrants into the Italian labour market and, more generally, their social settlement into the country. The three-year documents have tended to concentrate on the aspect of control and repression of undocumented migration. (Chaloff, 2005, p. 16.)

The first planning document covered the period 1998–2000 and provided support for the immigration framework law with its three-pillar based system (integration, quotas and restriction of illegal immigration). Demographic concerns were also considered in an extensive annex prepared by the renowned demographer Antonio Golini. Next, in 2001, the new planning document was released for the period 2001–2003. It mostly maintained general standpoints as the previous one, while arising some specific issues such as high-skilled immigration and sector-specific labour shortages. Following from this, the migration planning document (2004–2006) focused on the implementation of the modifications introduced in immigration legislation under the 2002 law.

Recently, the new migration planning document for 2007–2009 has been issued (but not yet formally approved because the Government failed just before endorsement). This document presented the main points of the reform that would take place if the proposed Amato-Ferrero Law was adopted and implemented. Once again, insistence is placed on control and management of immigration flows. It is stated that after the extraordinary 2006 quotas (see above), the share of undocumented immigrants in Italy should be reduced. Furthermore, insistence is placed on integration and on the importance of the local level in this field.

*Quantitative elements  
for migration planning  
of non-EU workers.*

Overall, these documents provide an insight of the main terms in which the Italian policy debate is developed. The three-pillars scheme is reflected in the debate: regulation of admission, promotion of integration, and the need to fight against illegal migration flows. While there is debate over specific measures within each of the pillars, there is little antagonism towards the very idea that migration is a structural component of the Italian reality and a phenomenon that needs to be adequately managed. (Chaloff, 2003, p. 2.)

Now we will focus on the quantitative estimation of migration inflows included in the planning document. The latest planning document for the period 2007–2009 is taken as reference.

### ***Quantitative elements for migration planning of non-EU workers<sup>26</sup>***

In order to project foreign labour needs for three years, several indicators are considered at an institutional level. It is meant to be a coherent framework that recognises difficulties to estimate labour demand. In particular, some elements are mentioned:

- Uncertainty about economic performance and employment growth over those three years.
- Complex interaction between employment and unemployment of foreign residents and new arrivals. In fact, trends show that new arrivals have more heterogeneous skills profiles and there has been an increase of family reunions.

*Projections about  
demographic  
change and per-  
formance of domes-  
tic labour market.*

<sup>26</sup> In this section, we heavily rely on the indications by Luca Einaudi, responsible for immigration issues at the Presidency Council. We also thank Cristina Quaglierini from the Ministry of Finance.

- Also, since 2004, some new Member States, which are excluded from the planning, contribute significantly to fill labour shortages in Italy (especially, Poland, Romania, and Bulgaria). All these elements have an impact on the labour market.
- The presence of an informal economy and irregular work further complicates the estimates of non-EU labour needs.
- The heterogeneous performance of Public Employment Services over Italy and general malfunctioning of data systems on vacancies.

In view of these shortcomings, a methodological framework has been developed to set the 3-year migration planning guidelines, which should be used as a reference in following annual decrees establishing yearly quotas for entry of seasonal and non-seasonal.

Specifically, three dimensions are taken into consideration: demographic developments and related labour market dynamics, business and households' needs for foreign workers, and information from previous years, including applications for regularisations. Here below these elements are described in more detail, and figures correspond to the period 2007–2009.

#### 1) Projections about demographic change and performance of domestic labour market

Under this heading, the migration document takes into account the decline of the active population and employment increase. Information is obtained from labour market projections prepared by the Ministry of Finance in the context of macroeconomic planning. Specifically, estimates about total population and its growth rate are used (taking those projected by ISTAT, which have been previously introduced). For the latest planning document, the demographic projections used are those covering the period 2005–2050. Labour markets dynamics are also considered in terms of the evolution of the employment rate of the working age population (15–64) estimated on the basis of national accounts and of labour force surveys. The annual average change is calculated for the next two years so as to obtain foreign labour needs.

For the period 2007–2009, 206,872 foreign workers would be necessary each year to cover structural labour shortages, as resulting from labour market dynamics and demographic ageing. This is obtained (see the table below) by adding the average annual employment growth (in terms of numbers of employed) to the average of the forecasted working-age population decline.

Between these parentheses we specify the institution that provides the estimates. The effect of the employment increase of natives is taken into account, and is calculated by considering the average yearly employment growth excluding new foreign arrivals.

**Table 1**

	2006	2007	2008	2009	Annual average change 2007–2009
(1) Forecasted employment rate (15–64) (DPEF/Min Eco Fin)	58.4%	59%	59.7%	60.3%	
(2) Forecasted number of employed (Labour Force Survey) (DPEF/Min Eco Fin)	22,988,000	23,228,955	23,463,409	23,685,024	232,341
(3 ) Forecasted decline of working age population excluding new foreign arrivals 15–64 yr (which totalled 119,000) (ISTAT)	38,708,287	38,567,638	38,441,194	38,297,152	137,045
(4) Forecasted number of employed (15–64) excluding new foreign arrivals (DPEF/Min Eco Fin, ISTAT)	22,605,640	22,754,906	22,949,393	23,093,183	162,514
(5) Foreign labour need = total increase of employed (2)+ forecasted decline of working age population (3) — effects of employment increase of residents (4)					206.872



## 2) Business and household needs

- a. Excelsior → business perceived labour needs (min. 128,973; max. 190,937)
- b. Demand for domestic workers by Families → retrospective information (min. 62,500; max. 85,000)

*Business and household needs*

Business and household needs are estimated based on different types of information. Regarding the former, figures are obtained from the latest edition of Excelsior. While data from latest regularisations are used to forecast the amount of foreign workers that would be requested by Italian families to cover their needs for domestic and care services.

Hence, in the period 2005–2007, business would express intentions to hire between 128,973 and 190,937 foreign workers. This is not an exact indicator of foreign labour needs, since it is just an indicator of hiring intentions of businesses. And these figures include Romanian and Bulgarian nationals, who are EU citizens and as such, enjoy differentiated migration treatment.

For households' hiring intentions, the latest planning document considers information from the regularisation scheme of 2002. On that occasion, 340,000 foreign workers in the domestic services sector were regularised. Taking this figure as a total for the four previous years, it corresponds to approximately 85,000 irregular hires of/needs for domestic workers by families per year for the period 1998–2002. For the following years, requests for entry presented in 2006 are used as a reference about families' foreign labour needs. Namely, in 2006, requests for work permits for household services totalled 224,092 — worth almost half of total non-seasonal work requests. Likewise, domestic work permits effectively released between 2003 and 2005 were around 26,000. Hence, transforming these figures into annual average terms, “revealed demand” for foreign domestic work has been around 62,500 individuals per year.

Excelsior survey's capability for estimating future hiring intentions has been already commented upon previously. It should be noted that Excelsior results should be combined with timely information on unfilled vacancies. For this, significant improvements in the national information registry of vacancies shall prove essential. Editing of local databases at national level is necessary to build up time series, comparable to those of Excelsior, that allow for forecasting.

Moreover we would like to highlight the need for better estimations of the need for foreign workers by households. Demographic concerns and societal trends seem to not be given sufficient weight. Retrospective information on regularisations (by nature, exceptional instruments for immigration management) is not adequate to provide information in this sense. We can expect a growing need of care workers in coming years — foreign workers shall be increasingly essential to lessen the scarcity of domestic health and care services that respond adequately to the needs of the eldest. Likewise, increasing female participation shall continue to create demand for foreign workers for domestic and family care services. In this sense, for instance, administrative information for applications for admission could be used for analysis. This requires some additional human and financial resources, as it would be necessary to further invest in information systems that are regularly updated and coordinated at a national level. As suggested in the previous paragraph, resulting databases should provide a continuous time series on the needs of families.

*Retrospective information of hires from abroad and applications for regularisations*

## 3) Retrospective information of hires from abroad and applications for regularisations

Other information used are actual hires and applications for regularisations during the previous period. From these figures, the labour demand for foreign workers is then estimated by applying multi-annual averages, that should take account of year effects and the impact of annual decrees of previous years.

For instance, information for 2005–2006 shows an increase of non-seasonal work by 120 percent, from which is derived that annual levels of labour demand for non-seasonal foreign work ranged between 191,473 (min.) and 275,937 (max.). (See table below.)

However, part of this demand is satisfied through other categories of foreign workers that do not fall into the annual decrees' ceilings, specifically:

1. EU workers, especially from new EU Member States (2004 and 2007 enlargements/ especially from Romania and Bulgaria. It is stated that migration from Romania may have already reached its maximum, and hence, inflows from this country may fall over the coming years).
2. asylum seekers already in Italy for more than 6 months
3. entries for family reunion
4. economic migrants exempted from annual ceilings for special reasons

Further, estimates also wish to take account of the outflows due to the return of foreigners to home countries. There are, however, no exact data for this and exits are approximated from cancellations from local administrative lists ("anagrafe").

**Table 2**

Elements to estimate demand for foreign labour	Foreign (Non-EU) Labour needs estimated by Regions, social parties, and associations in the field of immigration	(NA)
	Annual average hires of foreign workers projected by employers (industry and services), Excelsior survey results for 2005-2007. [It does not include demand for domestic workers by households]	Min. 128.923; Max. 190.927
	Annual average of non-EU permits + requests presented during 2003-2006 (calculated as number of permits released between 2003 and 2005 + requests in 2006)	138,000
	Average decline of population aged 15-64 in period 2007-2009 (absolute value on the basis of ISTAT demographic projections)	137,000
	Average decline of population aged 20-60 in period 2007-2009 (absolute value on the basis of ISTAT demographic projections)	195,000
	Annual average increase of total employment in Italy between 2007-2009 (DPEF/Ministry of Economy and Finance)	232,000
Modes of entry other than non-EU ceilings that respond to demand for foreign labour	Inflows from Romania and Bulgaria (EU countries as from 2007) (figures of reference used are non-seasonal entry requests in 2006)	128,000
	Inflows from new EU countries (those that joined EU in 2004) (figures of reference used are inflows in 2005 and during first seven months of 2006)	18,000+8,000
	Family reunification (figures of reference used are permits released for family reasons, which is used even if many of these corresponded to under 18)	28,000
	Total number of refugees with right to work (figure of reference is of 2005)	5,282
	Entries of workers for special reasons (art. 27 TU) (figure of reference is of 2004)	12,000
	Exits of foreign workers (figures can be obtained solely through exits of foreign workers registered in local administrative lists, ISTAT, 2005)	15,700

Source: Migration planning 2007–2009 based on data from institutional sources (Ministry of Internal Affairs, Ministry of Social Affairs, Ministry of Foreign Affairs, Unioncamere-Excelsior, ISFOL, ISTAT)

*However, in the Italian context, such medium-term planning is not fully reflected in actual legal inflows allowed under the annual quotas.*

In conclusion, three-year planning is a reference for the establishment of general policy orientations. However, in the Italian context, such medium-term planning is not fully reflected in actual legal inflows allowed under the annual quotas. In actual terms, migration planning is annual, as it responds to the specificities of the Italian context. In fact, labour market needs arise on an annual basis. As shown under Excelsior, firms tend to plan their hires on an annual basis (or even less) and Italian

authorities have proved incapable of controlling illegal immigration, which leads to a large share of undocumented immigrants over the territory.

The lack of reliable sources of information also hinders the forecasting capability of Italian authorities. The above paragraphs have shown that a large heterogeneity of sources are used. Retrospective information and projections are mixed to produce a complete picture of the situation. However, comparability of such figures is weak, given differences in data collection methodologies.

Overall, there are no formal and comprehensive evaluation/monitoring systems, which could improve migration planning. As Chaloff (2005, p. 17) points out, three-year migration planning documents are somehow useful to take stock of the immigration phenomenon on a regular basis. However, the lack of formal systems to assess the impact of the migration management system stops such planning being effectively adjusted to facilitate the establishment of annual quotas and allow for synergies with other policy areas that have longer implementation spells (integration policy, including education measures). Besides, Italy does not conduct a cost-benefit analysis, or use tax receipts or other indicators to measure the impact of immigration over time. In some way, the gap has been covered implicitly with the study of the outcome of each of the regularisations. However, it is not sufficient, as demonstrated by quotas that do not account for labour market needs and continuous pull effects.

*There are no formal and comprehensive evaluation/monitoring systems to improve migration planning.*

## 8. Final remarks about Italian case

In recent decades, Italy has passed from an emigration to an immigration country. Italian immigration policy is assumed to be employment-driven, but its design is oriented towards “emergency management”. Previous pages have shown how the Italian framework of migration planning is short-term oriented. On the one hand, there is an awareness of the dependence upon migrant workers to fill labour shortages, especially in certain sectors and occupations. On the other hand, the statistical basis is not sufficiently developed to allow for a comprehensive and adequate assessment of the labour market needs in the long run.

Italian vacancy registers are not considered a reliable source of information by Italian migration authorities. Also, the development of an information system on occupational needs is in process. Demographic concerns and assessments of the impact of immigration on the future of the welfare system have not been, to date, formally taken into account in the context of labour migration planning. Hence, the main source of information on labour market dynamics comes from the labour force survey and the Excelsior information system.

**Excelsior employers’** survey is a fully-fledged information system of hiring intentions from the business side. Excelsior is extensively described as its relevance is recognised at the Italian level and also its potential for replication in other contexts. Among its advantages, we find a robust methodology based on a significant and dynamic sample, and on a comprehensive questionnaire upon employers’ hiring intentions and labour requirements. It also distinguishes between employers’ hiring intentions of foreigners from those of natives. On the other hand, this employers’ survey has also some disadvantages. For instance, although some indications are available about difficulties to cover some occupations, it is still difficult to disentangle business-strategy factors from real difficulties to hire (i.e. shortages), as the survey does not cross-check with the labour supply. Therefore, it may overestimate (foreign) labour needs. Nonetheless, it is a success story regarding the employers’ survey which has already passed through a ten-year cycle with a significant level of detail (results can be broken down by sector, region and occupation).

Finally, looking at how labour immigration policy is managed and implemented some further considerations arise. Both labour market needs and political interests are taken into consideration. On the one hand, local labour needs are acknowledged, as quotas are somehow annually distributed across regions according to their perceived labour needs. Conversely, bilateral agreements with several sending countries foresee privileged quotas, which are established on the basis of their collaboration in readmission and police control of irregular immigration. Plus quotas have been politically-oriented and excessively restrictive. Furthermore, at the implementation phase of these instruments, administrative procedures have proved to be excessively lengthy and non-transparent. Within this context, regularisations have then been implemented to reduce the growing presence of undocumented immigrants, who have generally been employed in informal economic activities. In terms of an institutional

framework, the decision-making power is at ministry level and in practice, regional authorities and social partners are barely consulted in the definition of annual quotas. Besides, a three-year migration planning is prepared by the Italian government. While it provides an idea of broad orientations, much is dependent on subsequent political debate. For instance, many interesting aspects (i.e. job-seeking permits, more interest on integration initiatives) covered by the latest document (2007–2009) are at the moment at stake due to the political crisis and coming elections.

## References

- Anastasia, B., M. Disarò, M. Gambizza, D. Maurizio and M. Rasera (2006): “‘Giove’: il public use database prodotto da Veneto Lavoro a partire dei dati dei Centri per l’impiego”, paper presented at the CISIS-ISTAT-SISTAN Conference, Rome 19–20<sup>th</sup> June 2006 “I dati amministrativi per le statistiche sui mercati del lavoro locali”.
- Baldi, C. and D. Bellisai, S. Fivizzani and M. Sorrentino (2007): “Production of Job Vacancy Statistics: Coverage”, ISTAT Scientific Publications “Contributi”, No. 2, 2007.
- Barbieri G., P. Gennari and P. Sestito (2002), “Do Public Employment Services help people in finding a job? An evaluation of the Italian Case”, *Rivista di Statistica Ufficiale*, Vol. 3.
- Barbieri G., Gennari P., Linfante G., Rustichelli E., Sestito P. (2003) “Valutare i servizi pubblici per l’impiego: implementazione della riforma, attivismo dei servizi e chances lavorative degli utenti”, *Politica Economica*, Vol. 3, pp. 343–372.
- Baronio, G. and A. Carbone (Eds.) (2002): *Il lavoro degli immigrati: programmazione dei flussi e politiche di inserimento*, Franco Angeli, Milano, 2002. l’ISFOL, Area Mercato del lavoro.
- Bruni, M. (2007): “Emilia — Romagna. Fabbisogno occupazionale e saldi migratori: scenari previsti al 2013”, Region of Emilia Romagna-University of Modena, March 2007.
- Caritas (2005), *Immigration: Dossier Statistico XV Rapporto*, IDOS, Rome.
- Caritas (2006), *Immigration: Dossier Statistico XVI Rapporto*, IDOS, Rome.
- Caritas (2007), *Immigration: Dossier Statistico XVII Rapporto*, IDOS, Rome.
- Chaloff, J. (2005a): “Italy”, in *Current Immigration Debates in Europe: A Publication of the European Migration Dialogue*, Niessen, J., Y., Schibel and C. Thompson (Eds.), Migration Policy Group.
- Chaloff, J. (2005b): “Italy”, in *Immigration as a Labour Market Strategy — European and North American Perspectives*, Niessen, J., Y., Schibel and C. Thompson (Eds.), Migration Policy Group.
- Chaloff, J. and F. Piperno (2004): “Italy”, in *International migration and relation with third countries: EU and US approaches*, Niessen, J., Y., Schibel and C. Thompson (Eds.), Migration Policy Group.
- Chaloff, J. (2003): “Italy”, in *EU and US Approaches to Migration Management*, Niessen, J., Y., Schibel and C. Thompson (Eds.), Migration Policy Group.
- CNEL (2003): *Atti Seminario di Studio “Regolazione dei Flussi Migratori tra Programmazione e Precarietà degli Interventi”*, 3<sup>rd</sup> December 2003, Roma, Serie Documenti, n. 29.
- Contini, B. and U. Trivellato (Eds.) (2005): *Eppur si muove. Dinamiche e persistenze nel mercato del lavoro italiano*, Il Mulino.
- Dell’Aringa, C. (2007): “Italy”, in *Towards European skill needs forecasting*, Zukersteinova, A. and O. Strietska-Ilina (Eds.), European Centre for the Development of Vocational Training — CEDEFOP.
- Einaudi, L. (2007a): *Le politiche dell’immigrazione in Italia dall’Unità ad oggi*, Laterza.
- Einaudi, L. (2007b): “Immigration and Integration Policies in Italy”, in *Rethinking Immigration and Integration: a New Centre-Left Agenda*, Policy Network, 2007, pp. 88–101.



Einaudi L. (2004): "Historical Approaches to Legal and Illegal Migration for Employment in Italy and France", in Palme J. and Tamas K. (eds.), *Global Migration Regimes*, Institute for Future Studies, Proceedings of the 2<sup>nd</sup> Stockholm Workshop on Global Migration Regimes, June 11–12, 2004.

Eurostat (2007): "Labour force survey in the EU, Candidate and EFTA Countries 2007 edition — Main characteristics of the national surveys 2005", *Eurostat methodologies and working papers*.

Excelsior Information System Official Website: [excelsior.unioncamere.net](http://excelsior.unioncamere.net).

ISFOL Fabbisogni website ([fabbisogniprofessionali.isfol.it](http://fabbisogniprofessionali.isfol.it)).

ISMU (2007): *Dodicesimo Rapporto sulle migrazioni 2006*, Franco Angeli.

ISTAT (2007): Annual Statistical Report.

Marsili, M. (2007): "Demographic Projections: the impact of net international migration on population ageing in Italy", Proceedings of the 2007 *Intermediate Conference "Risk and Prediction"*, University Cà Foscari Venezia — Società Italiana di Statistica, 6–8 June, 2007.

Meccheri, N. and M. Morroni (2005): "Analisi delle assunzioni previste nella Provincia di Lucca in base ai dati provenienti dal Sistema Informativo Excelsior — 2004", *Cammera di Commercio di Lucca*, January 2005.

Meccheri, N. and M. Morroni (2003): "Alcune proposte de miglioramento della metodologia adottata dal Sistema Informativo Excelsior. Italia, Toscana e Provincia di Lucca: 2001–2002", *Cammera di Commercio di Lucca*, October 2003.

OECD (2005): "The Economic Impact of Migration", *Economic Survey of Italy*, Chapter 4.

OECD (2007, 2006, 2003): International Migration Outlook.

Pastore, F. (2007): "Italian Modes of Migration Regulation", in *Modes of Migration Regulation*, IMISCOE.

Pastore, F. (2003): "Quote e gestione degli ingressi per motivi economici. Primi elementi per una valutazione dell'esperienza italiana (1998–2003)", in *Regolazione dei flussi migratori: tra programmazione e precarietà degli interventi*, *Atti del seminario di studio*, CNEL, 3<sup>rd</sup> December, Serie Documenti, n. 29, Roma, pp. 45–57.

Pastore, F. (1998), "L'obbligo di riammissione in diritto internazionale: sviluppi recenti," in *Rivista di diritto internazionale*, Vol. 81, n. 4.

Pirrone, S. and P., Sestito (2006): *Disoccupati in Italia: tra Stato, Regioni e cacciatori di teste*, Il Mulino.

Presidenza del Consiglio dei Ministri (Presidency of the Council of Ministers) (2008) *Documento programmatico relativo alla politica dell'immigrazione e degli stranieri nel territorio dello Stato per il 2007–2009* (Triennial plan of action for immigration policy for 2007–2009), Decreto del Presidente della Repubblica 13 maggio 2005, Supplemento Ordinario n. 128 della Gazzetta Ufficiale della Repubblica Italiana, n. 169 del 22 luglio 2005.

Presidenza del Consiglio dei Ministri (Presidency of the Council of Ministers), 2005, *Documento programmatico relativo alla politica dell'immigrazione e degli stranieri nel territorio dello Stato per il 2004–2006* (Triennial plan of action for immigration policy for 2004–2006), Decreto del Presidente della Repubblica 13 maggio 2005, Supplemento Ordinario n. 128 della *Gazzetta Ufficiale della Repubblica Italiana*, n. 169 del 22 luglio 2005.

Reyneri, E. (2007): "Immigration in Italy: Trends and Perspectives", IOM — Argo, 2007.

Reyneri, E. (1998): "The mass legalisation of migrants in Italy: permanent or temporary emergence from the underground economy?", *South European Politics and Society*, Winter 1998.

Trivellato, U. (2006a): "Trasformazioni del mercato del lavoro italiano, politiche del lavoro e disponibilità/fabbisogni informativi: un percorso a metà del guado", *Economia e Società Regionale*, Vol. 94 (2).

Trivellato, U. (2006b): "Uso e Integrazione di dati amministrativi da surveys nel Progetto MIUR 'Dinamiche e Persistenze nel Mercato del Lavoro Italiano', paper presented at the *CISIS-ISTAT-SISTAN Conference*, Rome 19–20<sup>th</sup> June 2006 "I dati amministrativi per le statistiche sui mercati del lavoro locali".

Unioncamere/Ministero del Lavoro (2007): *Rapporto Anuale 2007* [available on-line at [excelsior.unioncamere.net](http://excelsior.unioncamere.net)].

Unioncamere/Ministero del Lavoro (2007b): *Rapporto Tematico Personale Immigrato* [available on-line at [excelsior.unioncamere.net](http://excelsior.unioncamere.net)].

Unioncamere/Ministero del Lavoro (2003): "La metodologia del Sistema Informativo Excelsior sulla domanda di lavoro", Roma, 2003.

Zanfrini, L. (2007): "Il Lavoro", in *ISMU Dodicesimo Rapporto sulle migrazioni 2006*, Franco Angeli (pp. 103–128).

## 4. Spanish country study

### 1. Introduction

Spain is experiencing one of the most intense migratory processes in the developed countries. Stronger economic growth since the 1980s, combined with more restrictive migration policies in other European countries, Spain has become an increasingly attractive destination for migrants from low income countries. In the early 1990s, the migratory balance switched from negative to positive, and net immigration has grown continuously since then. This process has taken place in parallel to growing concerns linked to demographic ageing and ever lower fertility rates. (OECD, 2003, p. 127)

*Spain has experienced an intense migratory process*

Overall, there are specific features that favour Spain as destination country for migrants. Indeed, one of the main factors has been Spain's strong economic performance relative to other European partners. Despite relatively high unemployment, the domestic economy generated vacancies at the very bottom of the occupational scale that remained unfilled (i.e. agriculture, construction, domestic services), as native workers were not attracted by its working and pay conditions. In this sense, newly arrived and potential migrants know that they are likely to find jobs in low-qualified occupations or in the informal economy. Other factors have been its geographic position and historical links with Latin American countries. For the latter, the common language makes Spain an easier destination. Among policy factors, the various regularisation programmes for undocumented immigrants in Spain arguably make Spain a favoured destination, especially if combined with increasingly restrictive immigration policies in other EU countries.

*Specific features, including economic and geographical factors, favour Spain as a major destination country*

*Migration inflows tend to come from non-OECD countries and to concentrate in a small number of regions and occupations*

Immigration from non-OECD countries has been the most important, particularly from Africa and Latin American countries. More recently, inflows from Eastern Europe have increased markedly. There is also a high concentration of immigrant population in a small number of Spanish regions (Comunidades Autónomas, CCAA). The majority of foreign residents live in the islands (Balears and Canarias), the Mediterranean coast (Catalunya, Comunidad Valenciana, and Andalusia) and the capital (Comunidad de Madrid). Besides, foreign workers undertake certain types of occupation, this responds to a segmentation of the labour market, in which foreign workers have filled low-paid and low-productivity jobs.

### 2. Registry of vacancies and occupational shortages: A Catalogue of Occupations Difficult to Cover

As foreseen by the 4/2000 Organic Law, the Catalogue of Occupations Difficult to Cover (referred as the Catalogue hereunder) is deemed the main instrument for the identification of labour market needs (Art. 50.a). Thus, it is an instrument that should bring precision to the concept of "national employment situation" and improve the performance of the labour market needs test.

A number of factors pushed the political debate towards the development of such an instrument. In particular, we must consider the evolution of recent immigration in Spain, characterised by uncontrolled flows of migrant workers, combined with persistent labour shortages in certain occupations. In that sense, the development of the Catalogue policy tool was perceived as necessary if the management of labour migration was to be improved, and migration policy was to effectively respond



to domestic labour market needs. In particular, since Spanish employers can only hire foreigners if no candidates are available in the national territory, such a policy tool could certainly contribute to a more controlled and timely management of annual flows. Actually, the Catalogue was approved by the Royal Decree 2393/2004 and entered into force in 2005. Since then, it has been a channel through which the recruitment of foreign workers is being facilitated. As for those occupations listed in the Catalogue no labour market needs test is required. (See section 5 of this country study.)

The presence of an occupation in the Catalogue of a certain province implies that employers can apply for the admission for residence and work of a foreign worker being hired in his/her country of origin, without needing to publicly register the vacancy. If an occupation is not included in the Catalogue, the employer will have to register the offer in the Public Employment Services (PES) and demonstrate that it cannot be filled by resident workers, before a request for the admission of a foreign worker from abroad can be presented.

In 2005, the Ministry of Labour foresaw that the development of the Catalogue would be the responsibility of the system of PES, based on the information system of vacancies registries, and prepared in consultation with the social parties. In February 2005, the procedure for the development of the Catalogue was released. The first catalogue was published in Spring 2005. Later on, in November 2005, and after consultation to the Tripartite Employment Commission on Employment, the definitive procedure was approved (Resolution of the Employment Services, 14th November, 2005, BOE 07/12/2005). It should be noted as well that during the very same year, the new information system of the PES ("Sistema de Información de los Servicios Públicos de Empleo" — SISPE) was launched, and this constituted an essential element for the coordination of the different institutions (provinces, ministry) involved in the preparation of the Catalogue.

*Main features of the Catalogue of Occupations Difficult to Cover*

The Catalogue contains those job positions for which local offices of the Public Employment Services have encountered difficulties to cover. Hence, the national catalogue covers all Spanish provinces and is broken down by occupations. It is prepared in a quarterly basis in the first twenty natural days of the first month of each quarter. Reference data corresponds to the previous four quarters and occupations are broken down to an 8-digit level of detail (compatible to EU standard ISCO88-COM). Once released, each edition of the Catalogue is valid as from the second till the last working day of the quarter following its publication.

The institutional procedure for the preparation of the catalogue is the following. At the provincial level, the local PES prepares a provisional version of the Catalogue on the basis of administrative data which are used to estimate a set of four indicators (see below). The resulting provisional list of occupations "difficult to cover" is offered for consultation with local social parties. Once an agreement is reached at this level, the provisional version is sent to the Ministry of Labour, which assembles all local catalogues. At the national level, the Tripartite Employment Commission on Immigration is consulted, and a final version of the Catalogue is then presented to the Government.

Occupations appearing in the Catalogue are selected on the basis of a set of four indicators that are applied nation-wide. Specifically, the indicators are: Indicator of the degree of Intensity ("Indicador del grado de Penetración en el mercado de trabajo", or IP), Indicator of the degree of Difficulty to cover ("Indicador del grado de Dificultad para cubrir ofertas de empleo", or ID), Indicator of the Scarcity of candidates ("Indicador de Escasez de demandantes de Empleo", or IE), and and Indicador of internal Mobility ("Indicador de Movilidad geográfica real", or IM).

*Determination of difficult-to-cover occupations*

According to these nation-wide definitions for the indicators, each province calculates such indicators on the basis of the following information:

1. Average amount of job candidates registered at the end of each month (each candidate can apply up to six occupations).
2. Total amount of job offers registered by employers all over the year.
3. Number of contracts officially communicated at the Public Employment Services in the last year.

*Type of information required*

4. Number of workers that enter the local labour market: number of contracts in a province for workers coming from another province.
5. Number of workers that leave the local labour market: number of contracts of workers of the province that go to work in another.
6. Number of workers that stay: number of contracts of workers of the province that will work within the province.
7. Number of job placements: number of job placements of job seekers over the period.

#### **Calculation of the four indexes:**

1. **Indicator of the degree of intensity in the labour market** (“Indicador del grado de penetración en el mercado de trabajo” or IP) → This indicator relates the number of job offers over the year with the number of contracts officially registered for a certain occupation. It indicates whether there is sufficient information about a certain occupation in the local information databases. For each occupation:

$$IP = (\text{number of job offers} / \text{number of contracts})$$

Hence, the level of intensity for a certain occupation is considered as acceptable when the indicator for a certain occupation at province level is equal or above the average national value for all occupations.

*Four indicators are built to assess whether an occupation is to be included or not. These take into account both labour supply and labour demand variables, as well as other factors such as internal mobility.*

2. **Indicator of the scarcity of candidates** (“Indicador de escasez de demandantes de empleo” — IE) → This indicator relates the average amount of job applications for a certain occupation with the number of job offers posted for that occupation. For each occupation:

$$IE = (\text{average amount of job candidates} / \text{number of job offers})$$

The value at province level for each occupation is compared against the national average for that occupation. There will be scarcity of applicants for that occupation if the value of its IE is equal or below the national average for all occupations.

3. **Indicator of the degree of difficulty to cover** (“Indicador del grado de dificultad para cubrir ofertas de empleo” — ID) → This indicator introduces a new dimension, as it estimates the probability that applicants’ expectations about finding employment in a certain occupation are fulfilled. The indicator is calculated from the relation between job placements for a certain occupation and the number of applicants for that occupation.

$$ID = (\text{job placements} / \text{average amount of job applications})$$

If the indicator for a certain occupation is below the average national value for all occupations, the labour market shall not allow the entry of further foreign workers as any additional foreign worker shall hamper the possibility of finding employment of current job seekers.

4. **Indicator of internal mobility** (“Indicador de movilidad geográfica real” — IM) → This last indicator expresses the level of mobility within a certain local labour market. For a certain occupation in a certain province, the indicator takes into consideration those moving to other provinces and those finding employment in the very same one in which they are registered. As the formula below describes, the numerator is the sum of number of workers finding employment in a province other than the one where they are registered as job seekers, and the number of workers that enter into the local labour market as they find a job in the province but they were registered as job seekers in another one. On the other hand, the denominator considers again the previous two variables and a third one, that of the workers that effectively get employed in the same province (i.e. they do not move from/to another province).

$$IM = (\text{workers entering} + \text{workers leaving}) / (\text{workers entering} + \text{workers leaving} + \text{workers remaining})$$

Thus, this indicator measures the level of mobility on a scale from 0 (labour market close or static) to 1 (labour market highly mobile). It has been determined that the local labour market for a certain occupation will be sufficiently dynamic when the indicator for that occupation takes a value equal or above 0.3. And hence, that occupation shall not be included in the proposed Catalogue. The choice of this relatively low threshold is explained by the persistence of low inter-provincial mobility in Spain as a whole.

As described, the first three indicators are contrasted against the average national value for all occupations. The last one, on internal mobility, has a specific threshold explicitly and previously set at 0.3. Hence, for an occupation being considered as difficult to cover in a certain moment of time (i.e. a quarterly edition of the Catalogue), it has to simultaneously fulfil the following criteria:

- IP province level > IP national
- IE province level < IE national
- ID province level > ID national
- IM province level < 0.30

On the basis of the results, occupations shall be included in the provincial catalogue if the value of the four indicators is equal or below the provincial average. Nonetheless, the PES can also include or exclude occupations on the basis of their experience and knowledge about the dynamics of the local labour market. Similar corrections shall be introduced later on after consultation to local stucco wall workers, truck drivers, and social parties.

Another interesting point to be noted is that whether using national averages to contrast regional cases, and do so for all occupations, (as currently the Catalogue does) is preferable to using province level averages as a threshold for each of the three first indicators. For instance, the use of a national average probably reduces the emphasis on differences in labour market from one region to another, and it simplifies the monitoring tasks at central level. Nonetheless, such simplicity could come at the expense of precision, as some occupations could be included/excluded not so much because of real occupational shortages, but for the particularities of a local labour market.

*Some comments about the potential of an instrument such as the Catalogue...*

For example, in the last edition of 2007, the occupation considered most difficult to cover was for domestic workers, followed by cooks, aluminium carpenters, and shepherds. Labour market requirements have not changed much since the Catalogue was established, as domestic workers and cooks, as well as stucco wall workers, have been the three occupations most difficult to cover since 2005.

From the above paragraphs, we realise that through the Catalogue, Spain has made an effort to explicitly link the management of labour market modernisation and labour migration policy-making. Also, several prerequisites can be defined for the development of such an instrument, in particular:

- The availability of human and financial resources are essential for the development of such a tool. In fact, the Spanish Catalogue has been possible thanks to the information system of the PES network.
- A homogenous system of indicators and a methodology for the assessment of occupations as difficult to cover. For example, detailed classification of occupations (8-digit level of detail) is an important element to be able to identify labour needs.
- A homogenous and modern information system (known as SISPE) has been in place since 2005. The information system allows for the determination of the above-described indicators. It is an example of how administrative information systems have been translated for analytical purposes.

*There are certain fundamentals for such a tool to be introduced: among other things, an information system that collects information in a coherent and homogeneous manner, together with sufficient human and financial resources to ensure it can be performed on a regular basis.*

- Participation of social partners at the two levels (local and central) ensures that the overall assessment responds to actual labour market dynamics. Such consultation exercises ascertain that the overall labour market is covered by the procedure, recognising the particularities of certain sectors and geographic areas for which such methodology might be less suitable.

*However, the Catalogue has not built up a sufficiently long series for the purposes of forecasting labour needs.*

However, for the purposes of forecasting, information is still not sufficient, because the time series is too short. Also, it is still early to assess how adequately the use of the Catalogue fits the identification of labour shortages. Heterogeneous results will probably emerge among regions, or certain occupations may be clearly underrepresented — domestic workers and high-skilled workers. Nonetheless, it is a remarkable operation that certainly sets the way for more

comprehensive mechanisms for the selection of foreign workers. Many of the modes for labour entry to Spain are linked to the catalogue, but such linkages could be reinforced. For instance, considering the growing number of family reunifications, conditions for entry of working-age relatives entering through this channel should be also connected to labour market needs. These individuals are likely to seek employment and this should be considered when projecting the needs for foreign workers in the future.

### 3. Demographic concerns

Spain faces low fertility rates and increasing life expectancy, which brings very slow demographic growth and will most likely lead to population decline during the first half of the 21st century. This process of demographic ageing has only been somehow reversed in the last years, thanks to the massive arrival of immigrants, who have expanded the working-age population and tend to have higher fertility rates compared to natives. The demographic question has been considered in the Spanish immigration debate, but there is no explicit linkage between these long-term concerns and instruments for the recruitment and selection of foreign workers. Nonetheless, most experts conclude that replacement migration can only smooth the decline of native population and workforce (Balch, 2005).

*Spain faces a process of demographic ageing. In the last years, population growth has been sustained thanks to the massive arrival of immigrants.*

Here, we recognise the relevance of ageing in the Spanish context and describe main elements of the demographic projections prepared by the Spanish National Institute of Statistics (INE).

*The Spanish National Institute prepares demographic projections in line with international standards.*

INE prepares demographic projections in line with international standards. Specifically, the cohorts-component model is used to run projections. This method works as follows: the starting point is defining resident populations within a certain geographical area and organising data about the main demographic components (mortality, fertility and migration); then, the future population is identified on the basis of certain assumptions for the main three components (see next paragraph). Results are available by gender, age and CCAA (“Comunidades Autónomas”,

regional level) as well as province level. Projections are updated every five years. The latest exercise was prepared in 2005 on the basis of 2001 Census data up to 2060 for the national projections, and up to 15 years (2017) for regional and provincial levels, accounting for limitations associated to more detailed projections.

As said, demographic projections are based on a series of assumptions for the main components. The following table summarises these hypotheses:

INE assumes that life expectancy gradually improves over the period for both males and females. It passes from 77,43 years for men and 84,03 years for women in 2005, to 80,99 years and 87 years, respectively. Future births have been derived from the fertility rate, for which a moderate increase is assumed. Regarding international migration, assumed net inflows are expected to almost halve from almost half a million people in

*Series of assumptions are made for main demographic components.*



2005 to around 264,000 in 2050. It is clear that the latter assumption is far from reality. (See Annex. B.4 for further information on demographic projections results)

Considering inflows of new immigrants in past years, the number assessed by the INE is not unreasonable and what is more, it should even be larger. However, and as reviewed in the last section, the Spanish approach to immigration in recent years does not seem to respond to this demographic elements, as the mechanisms for regular immigration currently in place in Spain have in the past never been able to generate immigration at the level suggested by the INE.

On the other hand, it is also true that population projections are quite limited in terms of accuracy, as highlighted by comparing the difference between forecasts made in 2000 and those in 2005. It would therefore be risky to base an immigration policy on such figures. It is also slightly perverse to consider immigration as a long-term solution to an ageing population. For immigration to reverse such a trend there would have to be a massive influx of young migrants (Balch, 2005, p. 19).

*However, demographic projections are not explicitly or directly linked to migration planning.*

## 4. Special Studies: Spain 2020

Among existing academic and other special studies on labour shortages and the need for migrant workers in Spain, we consider here the latest work coordinated by Prof. Josep Oliver Alonso, from the Universitat Autònoma de Barcelona. In particular, we refer to the study named “España 2020: un mestizaje ineludible” (2006). Significantly, the research finds that Spain will need at least a further 6.6 to 7.8 million foreign workers by 2020 to meet labour market needs. Results are also disaggregated by regions and economic sectors.

### Introduction

The study starts with a review of current demographic trends in Spain. It highlights the fall in fertility rates since the seventies, together with three other labour market trends: increased female labour market participation, longer years of schooling, and earlier retirement among male workers over 55 years. Therefore, the author states that a country like Spain at the end of the seventies collectively decided not to have children or to have them in sharply reduced numbers. And hence, together with above-mentioned three labour supply trends, Oliver writes that the only option left is to have immigration in significant amounts, especially if growth is wanted, considering the Spanish labour-intensive economic model. What is more, these significant migratory inflows have already an impact on Spanish demography. Between 1993–2005, demographic growth in Spain (of around 4.3 million people) is mainly explained by immigration.

*There are some existing studies on labour shortages and the need for foreign workers in Spain. Among them prof. Oliver's work is remarkable.*

In view of this context, and considering that immigration to Spain is mostly economic, the principal objective of this study was to estimate future foreign labour needs in Spain through a demand-side approach. According to Oliver, the ultimate question is whether Spain will socially and politically accept the multicultural future that its demography and labour market demand for.

*Considering that immigration to Spain is mostly economic, the principal objective of this study was to estimate future foreign labour needs in Spain up to 2020.*

In our opinion, this is an interesting piece of work. In a country where little forecasting is performed (Mañé and Oliver, 2002), this study represents an updated and comprehensive analysis of labour market needs and future immigration trends in Spain, and its “Comunidades Autónomas” (CCAA-Autonomous Communities).

### Methodology

The methodology adopted is inspired by quantitative, model based projections in other countries (e.g. the Canadian Occupational Projection System — COPS, which provides forecasts for eco-

*The methodology adopted is inspired by a quantitative, model based on projections in Canada and the Netherlands.*

conomic growth, industries and especially occupations<sup>27</sup>, and the Dutch ROA model, which is performed by the Research Centre for Education and the Labour Market, and models the labour market position of different types of education with respect to the domestic labour market<sup>28</sup>) and some earlier Spanish experiences.

For the Spanish context, some simplification is necessary due to the unavailability of some data and the period of reference (i.e. forecasts are run up to 2020). Hence, technological change and substitution processes (which refer to demand-led substitution between types of education, e.g. due to the upgrading of skill requirements for a particular occupation) are introduced, albeit not parametrically. The exercise is based on different simulations (a total of 14) which include both these effects.

Technological change is implicit in the different assumptions for labour productivity. And substitution processes are included indirectly through a broad definition of education levels (i.e. for simplicity, EU compatible levels<sup>29</sup> are reduced to three education levels — low, medium, high level of education). But they are also assessed in a more direct way by controlling horizontal transfers of excess/scarcity of labour supply across education levels. This is relevant in a country like Spain, with labour market disparities across regions. In this context, the forecasting model allows for estimates of occupational and regional mismatches. Also, given the significant intensity of over-qualification, projections of occupational-educational levels for each economic sector up to 2020 will inevitably be inclined towards demand for higher qualifications. Since process depends on cultural factors, it is not possible to assess whether it shall continue or not.

*The model includes the possibility for controlling or horizontal transfers of excess/scarcity of labour supply across education levels.*

*Demand needs are estimated in a sequential manner, postulating different sectoral dynamics, which imply changes in occupational composition and hence, determines the demand for labour by education level. This demand is the one that will match labour supply.*

Bearing these factors and other national particularities, the final model calculates replacement and expansion demand separately. Demand needs are estimated in a sequential manner, postulating different sectoral dynamics, which imply changes in occupational composition and hence, determines the demand for labour by education level. This demand is the one that will match labour supply. The latter is obtained for each region using the same education levels as for the demand. Besides, as

mentioned in the previous paragraph, two types of estimates are obtained, depending on whether horizontal transfers of excess/scarcity of labour supply across education levels are allowed for or not. The final net balance are foreign labour needs, as figures for the year 2020 already account for all individuals (natives or foreigners) that were not born in 2005 and hence, will not join the workforce over the forecasting period. In the next paragraphs, main aspects of this methodology are reviewed (see Annex B.5 for further detail).

<sup>27</sup> See also Paul, S. (2003), "B.C. Occupational Employment Projections 2001 to 2011 — An Overview and Highlights from the COPS BC Unique Scenario", Ministry of Advanced Education, BC; and Smith, D. A. (2002): "Forecasting future skill needs in Canada", in M. Neugart and K. Schömann (eds.), *Forecasting Labour Markets in OECD Countries: Measuring and Tackling Mismatches*, Edward Elgar, London.

<sup>28</sup> See also Cörvers, F. and A. De Grip, H. Heijke (2002): "Beyond manpower planning: a labour market for The Netherlands and its forecasts to 2006, ", in M. Neugart and K. Schömann (eds.), *Forecasting Labour Markets in OECD Countries: Measuring and Tackling Mismatches*, Edward Elgar, London; and De Grip, A. and H. Heijke (1998): "Beyond Manpower Planning: ROA's Labour Market Model and its Forecasts to 2002", ROA-W-1998/6E (Maastricht: ROA).

<sup>29</sup> Within the EU-wide Bologna Process for higher education, the European Qualifications Framework applies. This qualification framework is a systematic way of classifying qualifications by a hierarchy of 8 levels (from level 1 corresponding to 'basic general knowledge'/'basic skills' to level 8 corresponding to 'knowledge at the most advanced frontier of a field of work or study and at the interface between fields'/'advanced and specialised skills'), (PE-CONS 3662/07; Brussels, 29 January 2008) (For more information: <[ec.europa.eu/education/policies/educ/eqf/index\\_en.html](http://ec.europa.eu/education/policies/educ/eqf/index_en.html)>)



1. Initial considerations about possible dynamics over the period 2005–2020:

- o Evolution of Labour supply and demographic change over the last decades. Then, two hypotheses of increase in participation rates are created. The base hypotheses projects last decade's trend (i.e. increase in female participation and a moderate decrease in that of male workers). This hypothesis assumes a greater increase in female participation combined with increases in male participation (especially in the collective of over 55 years).

- o The future evolution of labour demand based on hypotheses about employment and economic growth up to 2020. Formulating hypotheses about employment growth over such a time span is a risky choice. Nonetheless, such a step is necessary if supply-demand mismatches are to be derived. However, the Spanish case faces some caveats. Official estimates for GDP growth by sector are not available. There are other sources of imprecision: the study intends to provide results broken down by regions for the whole forecasting period and the recent evolution of the Spanish economy has been characterised by high elasticity of employment to GDP (i.e. low increase of labour productivity). Bearing in mind these factors, the simulation of labour demand growth is based on two possible scenarios. The first scenario assumes a process of employment adjustment starting in the construction sector and spreading to the rest of the economy, but employment growth would recover by the end of the period. Whereas, in the second scenario, the economy is assumed to grow at its potential rate (i.e. around 3%) and labour productivity is assumed to increase at three different rhythms (i.e. high, medium, low increase). Furthermore, in 2020, these three possibilities converge towards a similar weight structure of sectoral occupations, as structural changes over the period ahead are not expected.

*In the starting phase, an assessment is made about future labour market trends in Spain*

2. Building scenarios: different alternative simulations were run from which minimum and maximum values of foreign labour needs are obtained.

- o Considering the hypotheses previously described a system of 7 different possibilities can be assessed (Figure 3).
- o Next, other dimensions are introduced corresponding to the possibilities for inter-regional and inter-occupational mobility (Figure 4). This multiplies by four the number of possible scenarios (7x4=28 scenarios). Nonetheless, given that in a few years the possibility for inter-regional mobility will be exhausted, this dimension is excluded from the analysis. Final number of scenarios for analysis is 14.

**Figure 3**

*Scenarios are built given uncertainties in the 15 year period of analysis.*

Different scenarios of labour supply and labour demand		
A) Hypothesis with constant GDP growth		
	Participation rate	
Advance of productivity	Maximum	Trend
High	Simulation No. 1	Simulation No. 2
Medium	Simulation No. 3	Simulation No. 4
Low	Simulation No. 5	Simulation No. 6
B) Hypothesis with employment crisis Simulation No. 7		
Source: Oliver, 2006, p. 44		

**Figure 4**

Different scenarios of inter-regional and inter-occupational mobility		
	Occupational mobility	
Regional mobility	Full mobility	No mobility
Full mobility	Simulation No. 1A	Simulation No. 2A
No mobility	Simulation No. 1B	Simulation No. 2B
Source: Oliver, 2006, p. 45		

3. Analysis of employment growth and immigration dynamics in the previous decade (1995–2004). Such an analysis, based on data from the Spanish Labour Force Survey, is deemed important to further understand the forecast exercise performed in the following sections, as trends of the last decade definitively condition simulations identified by the study. Particular attention is placed upon the evolution of foreign workers.
4. The evolution of the population in the previous decade and projections for the next years are also assessed using official demographic information from the national statistics institute (INE). In particular, distribution of potentially active population over the period ahead is calculated. Both national and regional levels are considered. Interestingly, the study includes the role of immigration in the future composition of the regional population.
5. With all the information above, and applying forecasting models, the team of Oliver proceeds to estimate the needs for foreign labour by education levels and regions up to 2020. The figures below conceptually picture the system of equations applied:

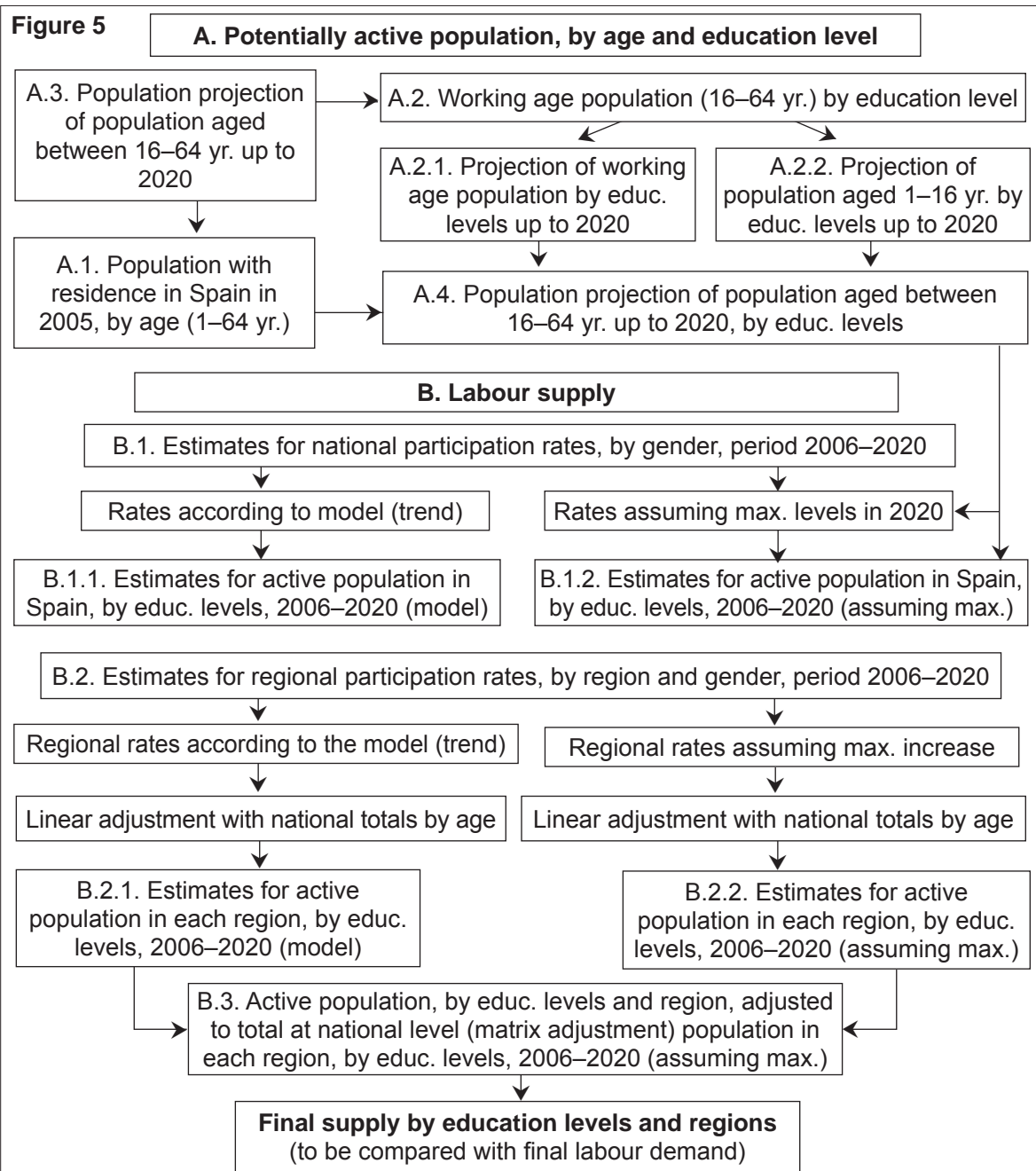
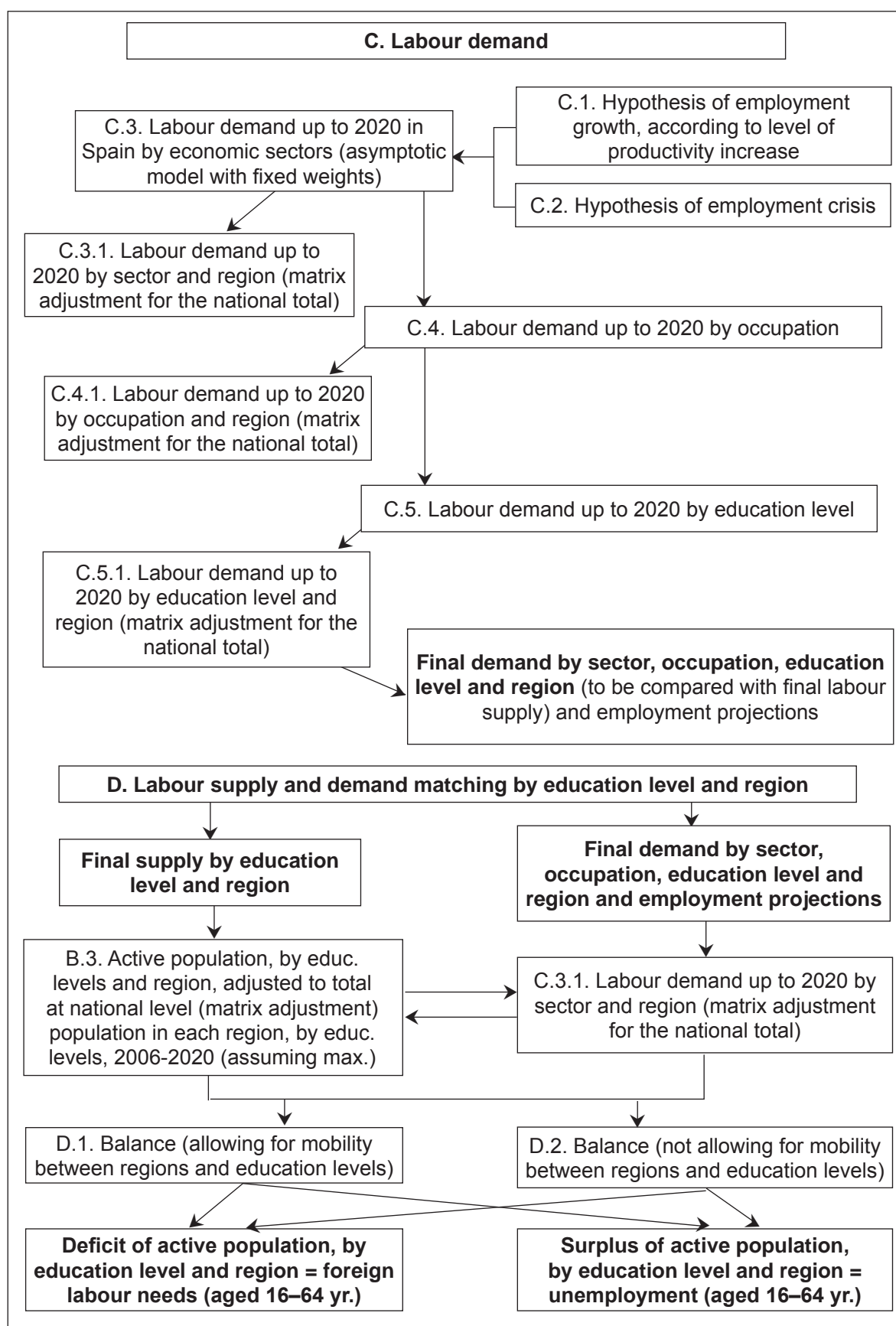


Figure 6



Forecast results clearly show the ever increasing importance of foreign workers in the Spanish economy, both at regional and national levels. For the years to come, the study obtains that, as from 2008, between 6.6 and 7.8 million foreigners aged between 16 and 64 shall be necessary to fill labour shortages in Spain. Furthermore, the study concludes that the deficit of the workforce could be reduced somehow, if vocational training and lifelong learning are considerably reinforced.

### Comments

As acknowledged by the author, the weakest point of the research regards assumptions for economic growth. Inaccurate assumptions are a common criticism to forecasting, especially employment forecasting. Still, forecasts should be used for policy intervention, as they point to possible developments. Furthermore, the modelling of alternative scenarios with different assumptions, as it is done in Oliver's work, indicates a plausible range of future developments.

*A common criticism of labour forecasting exercises regards economic growth assumptions. Despite this caveat, this research provides significant results.*

Despite this caveat, it should be noted that the research provides results broken down by region and occupation. This is valuable for the purposes of longer-term migration planning, especially in countries with wide disparities across geographical areas. Besides, gains in accuracy can probably be achieved by preparing estimates for shorter time periods (e.g. a period of ten years).

*Data required by the model are obtained from official sources, but it is necessary to consider methodological aspects of these data sets.*

Sources of data required by the model are obtained from official sources. When running the forecasts, one should be aware of the particularities and modifications in the methodology of the datasets of reference. For instance, in the Spanish case, the LFS is the sole statistical source fulfilling data requirements (specifically the age and gender structure of the workforce). But it was

modified significantly some years ago to account for the growing presence of foreign workers. This implies that the data is incomplete for some years, introducing additional potential for error or inaccuracy. Another official source used is the household survey/population census data, from which it is possible to analyse the demographic composition of each occupation. This makes it possible to estimate specific rates of retirement and mortality for each occupational class.

*Unfortunately, this type of assessment has to date a minor policy impact in terms of labour migration planning.*

By and large, this is an interesting exercise, especially if we consider that Spain claims that it lacks a real culture of forecasting or the infrastructure to do it. The efforts of this study should also be appreciated as a contribution by academics and experts to the traditional lack of sound forecasting of the labour market evolution in Spain (Mañé and Oliver, 2002). Unfortunately, in Spain, this type of assessment has to date a minor impact on policy in terms of labour migration planning.

## 5. Migration Planning

Spanish immigration policy is employment-driven. Labour migration has been recognised progressively and legislatively endorsed as from 1985 (see text box for a review of main legislative changes). It should be recalled that, in line with the EU policy framework, Spain distinguishes between two types of foreigners: EU citizens, who are not required to hold a work permit to access employment in Spain, and non-EU citizens, who fall under the so-called "General Regime". Most of

*Main features of Spanish immigration policy*

<sup>30</sup> Before 1985, Spanish legal framework on immigration was characterised by two main features: firstly, immigration and related issues were treated as matters of 'public order', and hence, exclusive responsibility of the Ministry of Interior; and secondly, issues related to the settlement of foreign nationals in Spain were very weakly regulated. (Moreno, 2000; OECD, 2003.)

*Spanish immigration policy is employment-driven. Labour migration has progressively been recognised and legislatively endorsed as from 1985 and since then several legislative changes have been introduced.*

the planning focuses on the last group and hence so does the rest of this section.

The first law on immigration was passed in 1985<sup>30</sup>, and it was mostly responding to pressures by European Community members at the time. It was presented as an urgent bill to be approved before the entry of Spain to the European Community in January 1986.

The 1985 Law was rather restrictive, with strong emphasis on border control. Many issues related to immigrants' rights remained unregulated. However, as immigration grew continuously over the years, the bill proved insufficient. The framework was excessively restrictive for managing legal immigration, but illegal foreign workers continued to arrive to Spain, attracted by the employment opportunities in the informal economy. (Moreno, 2000, 2005; CES, 2004; Cornelius, 2004; Gortázar, 2002)

Next, in 1993, a system of annual quotas was introduced. In practice, however, rather than managing admissions to channel migrant workers to sectors with manpower shortages, quotas functioned as a regularisation system for undocumented workers already present in Spain. Such a system was in place from 1993 to 1999, and failed to keep the stock of illegal immigrants from growing. At a political level, there was neither a clear stance about what immigration policy Spain was to pursue, nor there was a sufficiently developed administrative infrastructure and capacity.

*Quotas were first introduced in 1993, but soon appeared to be ineffective in channelling legal foreign workers. Significant changes were introduced in the early 2000s and have increased emphasis on employment-bound paths of entry.*

In view of the legal shortcomings, and as a result of a long political debate, a new Immigration Act was adopted in 2000. It placed the focus on the control of immigration flows, and recognised annual quotas as the main instrument to channel migration flows. This reform reinforced the link with labour market needs, through the "contingente" (see after) while it insisted on the selection

*However, irregular immigration remains an issue, as well as cumbersome administrative practices.*

procedure to be held in the countries of origin. Bilateral agreements with several countries were concluded in order to facilitate the hiring of immigrant workers by Spanish employers and, ultimately, improve the management of labour inflows. Such changes were subsequently accompanied with two massive regularisation programmes (2000, 2001). In 2002, in view of growing figures of irregular migratory flows, contracting at origin was introduced (ibid).

Lastly, in 2004, several amendments were introduced by the newly elected Socialist Government of Zapatero. While the law has remained unchanged, the government introduced more liberal regulations for its implementation. These placed stronger emphasis on creating legal, employment-bound paths of entry. Furthermore, procedures for dealing with undocumented employment were tightened in order to improve the control and order of migration flows.

The main changes simplified the administrative procedure, and the reinforcement of employer sanctions to combat undeclared work of irregular migrants whilst sanctioning instruments to tackle

<sup>31</sup> Over the last years, measures to enhance integration of foreigners have also been adopted. Namely, in June 2006, in view of the need for a comprehensive Strategy for the Civic and Social Integration of Immigrants ("Plan Estratégico de Ciudadanía e Integración") has been in place for 2006-2009 and re-newed for the period 2007-2010, compared to its predecessors (i.e. "Plan para la Integración Social de los Inmigrantes" of 1994 and "Programa Global de Regulación y Coordinación de Extranjería e Inmigración" 2001-2004,) also known for its acronym, Plan GRECO) financing and evaluation methods are included in the design of the plan. Namely, a well-endowed integration fund was established (budgeted 120 million euro for 2005, 182 million euro for 2006; and 200 million euro for 2007) to sustain measures and programmes implemented by autonomous communities and municipalities. Specifically, the funds are intended to finance measures to integrate immigrants as well as education programs targeting young immigrants. ([www.mtas.es](http://www.mtas.es))



human being trafficking and smuggling were also strengthened<sup>31</sup>. Also regulations concerning family reunification were eased. (See Annex B.6).

In a few words, the Spanish immigration policy has been officially managed on the basis of the following instruments:

- a) Border control to combat illegal immigration combined with increasing internal controls against irregular employment,
- b) Selection and recruitment system of foreign workers (a quota system, general regime and catalogue of occupations difficult to cover),
- c) Bilateral agreements with sending countries on regulation, planning and repatriation.

*Main elements for migration management in Spain: border control, selection and recruitment systems and bilateral agreements. Regularisations have also been a regular policy tool, albeit disguised as an extraordinary mechanism.*

Here, we focus on the last two, as they have clear implications on labour migration planning in Spain. Specifically, we find three main tools to manage the admission of foreign workers. These are:

- the annual quota (“contingente annual”) for work permits, including some provisions specific to the seasonal work permits system
- the “general” work permit system catalogue of occupations difficult to cover

In the next paragraphs these tools are reviewed in detail. Other instruments are also briefly described as they also have an impact on how labour migration policy is managed (i.e. regularisations, bilateral agreements).

#### **A. The annual quota or “Contingente”**

In Spain, the annual quota has been presented as the basic mechanism to match labour demand with foreign workers. Its functioning seems to have conditioned also the management of immigration as a whole. In practice, its annual figures are rather restrictive, and it has channelled few entrants compared to other mechanisms (such as the nominative call through the so-called general regime). Since its inception the aim of the quota has been to direct immigrant workers to those labour market sectors suffering from manpower shortages (art. 39, 2000 Immigration Act). It has been used in the years 1993–1995, 1997–1999 and since 2002.

*The Annual Quota or “Contingente”*

*During the first years of implementation in mid 1990, the quota proved to be ineffective to deal with large inflows of irregular immigrants, and regularisation programmes were necessary. In practice, the quota passed to be used as a means to regularise irregular migrants already living in Spain until 2000.*

During the first years of implementation, the procedure was employer-driven and excessively costly for employers. No clear methodology was applied for the determination of the annual figures. Ultimately, control over the flows was exercised through an excessive administrative burden. However, the growing availability of irregular foreign workers required a change in the original 1993 rules. In fact, as from 1994, irregulars already in the country were allowed to regularise their legal status through the annual quota. As a result, applications rallied and for the following years, the quota system became a channel for the regularisation of the status of immigrants already present in the territory (Moreno, 2000). The average annual quota between the years 1993 and 1999 was around 30,000 permits. Nonetheless, it did not prove to be sufficient to deal with large inflows of irregular immigrants and regularisation programmes were necessary. Precisely, so clear was its use for the regularisation of undocumented migrants already living in Spain that in 1996 there was no annual quota, as in that year a regularisation campaign took place. (Aja, 2006b) (See below)

ready in the country were allowed to regularise their legal status through the annual quota. As a result, applications rallied and for the following years, the quota system became a channel for the regularisation of the status of immigrants already present in the territory (Moreno, 2000). The average annual quota between the years 1993 and 1999 was around 30,000 permits. Nonetheless, it did not prove to be sufficient to deal with large inflows of irregular immigrants and regularisation programmes were necessary. Precisely, so clear was its use for the regularisation of undocumented migrants already living in Spain that in 1996 there was no annual quota, as in that year a regularisation campaign took place. (Aja, 2006b) (See below)

In particular, as from 2002, the principle of contracting at the country of origin (“contratación en origen”) was applied. According to this, foreign workers could no longer apply for work permits



from Spain but only from their countries of origin. In addition, the quota system or “contingente” distinguished between seasonal work permits (for jobs up to one year duration) and non-seasonal work permits (of one year duration), and the legislation also established that work permits could be allocated by sector and geographical area. All these adjustments were believed to improve migration control and turn inflows of foreign workers into a more manageable issue.

*Introduction of the principle of contracting at the country of origin took place in 2002, distinction between seasonal and non-seasonal work was also established.*

Therefore, and as established in the Organic Law 4/2000 and its subsequent modifications, 8/2000, 11/2003 and

*Mechanism for the determination of the annual quota was streamlined over the years, as well as the way labour requirements were measured.*

14/2003, annual figures shall be determined by the administration in cooperation with the employers’ associations in each sector. Annual quotas shall respond to domestic labour needs. In accordance with this, the National Employment Institute (INEM) was made responsible for assessing domestic labour market needs. On the basis of its assessment, the Government would establish the annual ceiling for immigration, which could be divided by sectors and geographical areas.

The implementation rules and administrative procedures have changed over the years, but the overall system has remained mostly unchanged. For instance, while the allocation of the quota in the various provinces used to be based on the requests of the employers’ associations in collaboration with the INEM, more recently it has been based on domestic labour needs as assessed through the same system of the resolution of the quarterly Catalogue of Occupations Difficult to Cover, which is then consulted with social partners (see below).

Subsequently, employers directly or indirectly (through their legal representatives, which can also be business associations) present generic job offers by type of occupation to the Ministry of Labour. These requests are then transmitted to the Spanish embassies and consulates, which then proceed to recruitment in the countries with which Spain has signed bilateral recruitment agreements (e.g. Colombia, Ecuador, and Morocco). Recruitment in other countries is possible when no suitable or adequate candidate is found in any of the favoured countries. Foreigners recruited will then receive a work permit, which is linked to a specific province and sector. This should guarantee that in case the initial work relationship ends the worker shall continue to fill labour gaps in that local labour market and specific occupation. In some countries, training before recruitment may be possible in cases where the Administration supports this type of activity, and the employer determines that some training is necessary. However, training depends most of the time on the capacity of the local administration and the Spanish diplomatic services in finding the training infrastructure. (OECD, 2003; Cornelius, 2004).

*Subsequent stages of the admission of foreign workers are employer-driven, whilst the Spanish administration has a major role in the administrative procedures for recruitment abroad.*

*Between 2002 and 2004 quotas continued to be highly restrictive, and this resulted in growing pockets of undocumented migrants during those years.*

The 2002 quota was the first one to admit only those foreign workers being recruited in their country of origin and as such the quota could no longer be used as a means to regularise undocumented migrants already in Spain. However, quotas established for the years 2002 and 2003 proved to be highly restrictive with respect to labour market needs, which resulted in growing pockets of undocumented migrants during those years. (See table 1 in Annex B.7 reports annual quotas between 2002 and 2004).

For instance, in 2002, the quota amounted to 21,195 seasonal workers and 10,884 non-seasonal workers, while in the following years, work permits were to be distributed to up to 13,762 seasonal workers and 10,575 non-seasonal workers. However, many of them remained unfilled, especially

for the non-seasonal component, because the administrative procedure proved to be cumbersome for employers. Also it proved difficult for employers, especially households and small-sized enterprises, to travel to the countries of origin for recruitment. These problems, together with the tendency to lower the annual quotas and maintain longer administrative procedures, displayed the government's efforts of those years to limit immigration, despite persistent labour market needs. That is why many experts suggest that political considerations instead of pure economic factors were the real determinants of the quotas (Ortega, 2003; Cornelius, 2004).

*Critics point out the lack of clear and coherent rules for the determination of the quota. Apparently, no homogeneous methodology was used to estimate labour needs.*

Compared to the previous system, domestic labour needs are given more relevance. However, between 2002 and 2004, quotas remained unfilled. Critics emphasise the lack of clear and coherent rules for the determination of the quota. Apparently, no homogeneous methodology was used to estimate labour needs. In fact, no systematic criteria seemed to be applied, and estimates diminished over the decision-making procedure to rather restrictive levels — especially considering

the political weight given to the annual quota relative to other migration modes. The system also suffered from other deficiencies. Such a lengthy and administrative process hindered the timeliness of the recruitment process. In other words, a work permit could prove to be excessively costly and lengthy to obtain for many Spanish firms, especially those that are small-sized. Furthermore, employer associations complained of the strong intervention of the state during the recruitment process and of the fact that smaller firms could not afford to travel abroad.

Awareness of growing management problems led to, the methodology for the determination of the annual quota being modified. And, since 2004, the annual ceiling is decided on the basis of a consultation process similar to that of the determination of the Catalogue of Occupations Difficult to Cover. The figures approved are not considered definitive, as they can be reviewed over the year. Specifically, they can be modified on a quarterly basis, according to the results of the Catalogue, which serves to measure the advancement of recruitment difficulties in the domestic labour market. The annual ceiling is divided by provinces and specifies the occupations that shall be covered with foreign workers. Since 2006, permits for job-hunting for a three-month period are also foreseen. The search for employment is to be performed within the occupation and geographical area that has been determined by the INEM representatives in the country of origin.

*The methodology for the determination of the annual quota was modified. And, since 2004, the annual ceiling is decided on the basis of a consultation process similar to that of the determination of the Catalogue of Occupations Difficult to Cover.*

In 2004 and 2005, no annual quotas were established. The Government decided to extend the 2003 quota for these years, with some minor adjustments. Many of the modifications were being implemented, especially the 2005 regularisation programme, which provided the opportunity to employers to regularise their workers. During this period, focus was placed on this regularisation campaign, as well as on the development of the Catalogue of Occupations Difficult to Cover. In the table below, figures for 2006 and 2007 are reported. Quotas have a high level of detail as work permits are conditioned both in terms of sector and geographical area.

In particular, quotas are allocated by province (52 partitions) and occupation (at 8 digit level) and hence, for each combination province-occupation the quota specifies the corresponding number of workers that shall be admitted. The resulting annual quota is composed by a system of micro-lists: for instance, if a total of say 12 economic sectors were foreseen, considering the geographic partitions, it would lead to more than 600 micro-quotas, which are highly heterogeneous from a region to another.

<sup>32</sup> Resolución de 30 de diciembre de 2005, de la Secretaría de Estado de Inmigración y Emigración, por la que se dispone la publicación del Acuerdo de Consejo de Ministros, por el que se regula el contingente de trabajadores extranjeros de régimen no comunitario en España para el año 2006.

*As from 2006, quotas high level of detail as resulting annual quota is composed by a system of micro-lists. Still, total annual numbers remain low.*

In 2006<sup>32</sup>, quota was rather limited in numbers. Next, in 2007, the annual quota for non-seasonal work was higher as it totalled 27,034, but it was still rather restrictive in relation to actual entries. (See table 2 in Annex B.6)

The permit for job-hunting should be complementary to hires in the countries of origin. It was reintroduced in 2003 and allows entry to Spain for a period of three months. Particularly, it is designed to fill those vacancies in sectors for which the job requires a direct personal relation with the customer, mostly in services such as hotels and restaurants and domestic services. Also, for small-sized firms that don't have a large workforce, the personal work relations play a role in the normal functioning of the activity.

### ***Specific provisions for temporary work permits***

The ever increasing demand for foreign workers in seasonal work and the particularities of this type of work for this category (i.e. the need for flexible legal admission channels, and for combating the likelihood of irregular contractual arrangements, plus the control of the return to home countries thereafter, etc.) led to the introduction of certain specific provisions within the annual ceiling system (art. 24):

- immigrants with work permits issued by the Government are to be provided adequate accommodation
- seasonal work permits are preferably to be channelled to those countries with which bilateral agreements have been established, as this is believed to facilitate the monitoring of returns
- active participation by local authorities is foreseen, in view of their direct and specific knowledge of their local labour markets, which becomes essential in managing the stay and subsequent return of seasonal immigrants

As becomes clear, the seasonal work permit system functions above all else as a means of serving the labour needs of the agricultural sector. There is some evidence that the system has been fairly successful in this area. (Balch, 2005)

It is noted that asylum and family reunification are not considered as ways of accessing the labour market, and therefore, no labour market needs test is performed for these categories of entry.

*Changes introduced in 2004 included the possibility of permits for job-hunting*

Although there is no specific mention in planning of labour migration to date, as family reunifications are growing, we can expect them to have an impact on the labour market. In fact, such channels should begin to be considered, as individuals in the working age population, entering through family reunification, may also join the labour market.

### ***Institutional procedure for the determination of the quota***

The size of the quota results from a decision-making process that involves several institutions and levels of government. In fact, the role of local authorities and social partners in the management of labour migration is fully recognised. The procedure was defined in 2000, and was modified in 2004.

During the period 2000-2003, the procedure for the quantification of the annual quota for the following year started at the provincial level with business organisations sending their requests for foreign workers to the Provincial Executive Commissions of the INEM (Spanish Institute for Employment) — which evaluated the local employment situation and sent a proposal to the Labour Ministry. Taking as an example the 2002 quota, the total requests by local employers were 80,000 stable and 31,000 temporary, and after the assessment by provincial branches of INEM, they were decreased to 33,000 and 29,000,

*The quota has always had some specific provisions accounting for the particularities of seasonal work*

respectively. Then, the Ministry of Labour made a proposal on the basis of these local proposals, taking into consideration the overall national employment situation, as well as the unemployment of residing foreigners and the number of workers effectively regularised through the extraordinary regularisation programmes. Autonomous communities (“Comunidades Autónomas” — CCAA) were also involved and were requested to send their proposals. Then the proposal was the subject of consultation by the Inter-Ministerial Commission (see text box below), social parties at national level (business organisations and trade unions) and the Council for Migration Policy. Finally, the quota was approved by the Government. Following the example of the 2002 quota, the final levels approved were 10,900 work permits for stable positions and 21,000 for temporary places. (OECD, 2003.)

In 2004, several changes were introduced to improve the capability of the annual ceiling to respond to domestic labour market needs, as well as facilitating the request for work permits to employers in those sectors in which shortages are identified. (See Annex B.8 for a description of the main institutional actors involved in migration policy-making in Spain.)

Therefore, following the text of the Real Decreto 2393/2004, the decision-making process for approval “contingente” can be described:

1. The competence of the central government to approve it on an annual basis, as established under the Organic Law 4/2000 (art. 39).
2. The document establishing the annual quota is composed by (art. 78):
  - a. a ceiling for non-seasonal work approved by Council of Ministries, which is broken down by province and occupations;
  - b. it contains a certain number of permits for job-hunting for children or grandchildren of Spanish origin and for seeking a job in certain economic sectors or occupations in a certain geographical area;
  - c. the amounts can be re-adjusted throughout the year, on a quarterly basis according to domestic labour needs (as assessed through the Catalogue).
3. The decision-making procedure for the approval of the annual quota (art. 79) is the following:
  - a. the process starts at local level, it started at the provincial level with business organisations sending their requests for foreign workers to the Provincial Executive Commissions of the INEM (Spanish Institute for Employment), which evaluated the local employment situation and sent a proposal to the Labour Ministry;
  - b. at central level, and on the basis of the provincial proposals, the determination of the “contingente”, including both for stable and temporary work and job-hunting, is the responsibility of the Secretary of State for Immigration and Emigration (within the Ministry of Labour);
  - c. one of the elements to be also considered is the report of the Superior Council of Immigration Policy about the labour market position and social integration of immigrants residing in Spain (art. 68.2); only at this stage are other categories of immigrants (asylum seekers, family reunifications) with a potential impact on the labour market considered;
  - d. before reaching the Council of Ministries, the proposed “contingente” is assessed by the Inter-ministerial Commission for Immigration, in which all ministries with a stake in the issue are represented (Ministry of Labour and Social Affairs, Ministry of Interior, Ministry of Foreign Affairs); and the Tripartite Employment Commission on Immigration is also consulted at this stage;
  - e. finally, the Council of Ministries approves it and the Ministry of Labour publishes the annual figures and defines the procedures for admission. Once approved the quota is allocated at the local level (52 partitions), based on the initial requests and in collaboration with local branches of the National Institute of Employment (INEM).



4. The main features of the admission procedure (art. 80) are the following:
- a. employers wishing to recruit through the annual ceiling have to do so directly or presenting their offers through a legal representation (which can also be a business association);
  - b. employers are directly or indirectly involved in the recruitment process in the countries of origin, which is coordinated by the Spanish officials there;
  - c. training is foreseen either upon arrival to Spain or in the countries of origin;
  - d. selected immigrant workers have to personally request their identity card as a foreigner, and they have to do so one month after their arrival to Spain.

It is recalled that foreign workers are eligible only if residing in their country of origin at the moment of the recruitment; selection is based on generic offers presented by employers (nominative calls are an exception rather than the general rule). And hence, employers are the main driver of the following stage, as they directly or indirectly (through legal representations or business organisations) present generic job offers by type of occupation, containing the job profile and skills required, to the Labour Ministry, which transmits them to the network of Spanish diplomatic representations. The latter are in charge of recruiting workers, possibly with the assistance of employers. Candidates should register at the representation of their country of origin. Recruited foreigners are provided with a work permit. As already mentioned, preference is given to recruitment in countries which have signed bilateral agreements with Spain (Morocco, Romania, Poland, Ecuador, Colombia, and Dominican Republic).

Among current legal admission mechanisms, the annual quota is relatively under-utilised. Over the years, **the quota system has proved to be functionally inefficient as a mechanism for**

*Some comments about the Spanish annual quota*

**controlling the foreign workforce entering into Spain.** (See Annex B.9) The system produces limited annual ceilings and it is hindered by lengthy and costly administrative procedures. It has not been successful in matching demand and supply of the migrant workforce. In the meantime, a large pool of undocu-

mented migrant workers is available. Experts suggest the **great majority of legal migration is channelled through the General Regime.** Also, they add the comment that many migrant workers enter by their own means (i.e. without work contract from abroad, but for instance, with a tourist visa) and remain/over-stay in Spain irregularly working in the informal economy until an opportunity for regularisation arises. (Sandell, 2006; Arango and Sandell, 2005; Serra, 2005; Cornelius, 2004).

Several of the features of the annual ceiling explain this under-utilization of the annual ceiling. On the migrant workers' side, although paper the annual ceiling is presented as the sole means for legal entry, the general regime has actually been the one that has channelled the major share of legal entries of foreign workers to Spain. They may enter through other permit categories (e.g. tourist visa) and once in Spain find employment in the informal economy, while waiting the necessary period to regulate their legal status (i.e. regularisation or "arraigo", see after). On the employers' side, lack of employer interest is attributed to the cost of participation and the easy availability of irregular foreign workers already in Spain.

In particular, administrative procedures are still excessively lengthy for the business sector and the annual quota is restricted to those sectors in which severe difficulties are faced in finding domestic workers. Therefore, given the principle of contracting at source, employers are required to plan their manpower needs far in advance at least one year ahead. This may be possible for highly-skilled occupations, for which employers may be willing to wait for the suitable candidate to turn up. But, considering the occupations the majority of immigrants undertake are low skilled, and low qualified turnover rates may be extremely high, and vacancies may need to be filled from one day to another. Specifically, for occupations such as those in the services sectors or even seasonal work, annual planning is complex. Consequently, prospective employers use the annual quota only in those occasions in which they foresee that a vacancy may be extremely difficult to fill. Otherwise, they might satisfy their labour requirements by employing undocumented migrant

workers through informal work arrangements, and wait until the worker is eligible for regularisation. This may be true considering the large pool of undocumented workers present in the country. Hence, such reasoning may explain why for some years the annual quota remained unfilled. (Sandell, 2005, 2006; Arango and Sandell, 2005; Cornelius, 2004)

## **B. Régimen General and Catalogue of Occupations Difficult to Cover**

Most of the legal admissions of foreign workers into Spain have actually been channelled through the so-called General Regime ("Régimen General"). This system entails that the employer instead of using a generic call, chooses to recruit a specific foreign work through a nominative offer, having proven that there is no one available in the labour market (Spanish or otherwise). The regional offices of the Public Employment Service in Spain are where this information is gathered. Furthermore, the 2004 regulatory adjustments introduced some elements of a sector-based system for the selection and recruitment of foreign workers. Since 2005, the Catalogue of Occupations Difficult to Cover reports on the occupations and sectors that are experiencing shortages, by province, makes preparations on a quarterly basis via information provided by the INEM in the Autonomous Communities and in consultation with the Tripartite Employment Commission on Immigration (Comisión Laboral Tripartita de Inmigración). (See section 1.2)

However, there are also doubts about the efficiency of this system, which is criticised for being still too slow, complicated and overloaded, and lacking statistical information for its proper management (CES 2004, Balch, 2005). Nonetheless, it is still early to assess whether such a mechanism has been successful in channelling legal labour migration towards those sectors and occupations identified by the Catalogue.

In Spain, labour migration planning is determined yearly on the basis of the domestic employment situation. As seen in the previous paragraphs, measurement of domestic labour market needs has only improved significantly in the last two years. The "contingente" includes a detailed system of sectoral-geographical micro-quotas and gives preference to certain nationalities. Hence, political factors also have a role here. The major share of regular foreign labour has been traditionally channelled through the General Regime (nominative call).

*Advantages to a system based on shortage lists with defined occupations and sectors benefiting from streamlined immigration procedures...*

There are a number of advantages to a system based on shortage lists with defined occupations and sectors benefiting from streamlined immigration procedures:

- In the first instance it will help to build up a more detailed picture over time of where the problem areas are in the labour market;
- Where persistent structural problems are identified, educational policies, for example could be considered as an alternative option to immigration;
- Future shortages can be planned for; and
- Sectors, which the government would like to actively support as part of broader economic policy, could also be given preferential treatment.

In this sense, coming years shall say whether the recently created Catalogue of Occupations Difficult to Cover will succeed in determining labour market needs on a continuous basis while responding to heterogeneity across Spanish regions.

## **C. Other migration policy instruments**

### **a. Bilateral Recruitment Agreements**

Over the last decade, Spain has signed a number of bilateral agreements with some of the principal source countries of migration flows. Many of them focus on

*Other migration policy instruments in Spain (Bilateral Recruitment Agreements, regularisation programmes and regularisation through social/labour embedding ("arraigo"))*



readmission and their aim is to facilitate the repatriation of irregular immigrants to their countries of origin or to countries of transit. Besides, Spain has established seven agreements for the regulation of immigration flows (i.e. quotas system): Colombia (2001), Ecuador (2001), Morocco (2001), the Dominican Republic (2001), Poland (2002), Romania (2002) and Bulgaria (2003). These agreements are specific to labour immigration and they do not include provisions for re-admission. (Serra, 2005).

Bilateral agreements on the admission of foreign workers are believed to be instruments that improve the management of immigration, especially of seasonal foreign workers (i.e. faster admission procedure and increased likelihood that temporary foreign workers will return to their country of origin). Citizens from these countries are given preference to access labour opportunities in Spain. Such preference was formally consolidated with an amendment proposed in the 14/2003 Law, for which labour offers made through the annual quota should be preferably directed towards workers from countries with which Spain had signed bilateral agreements.

Looking at the countries with which such agreements have been signed, there is another implicit policy goal of managing flows according to “cultural proximity”. This is clear in the case of Latin American countries, and also the case for Eastern European ones. There is a preference for immigrants who find it easier to assimilate due to similarity of language and religion, or a common cultural heritage. The agreement with Morocco, though, is explained both by geographic proximity and by the high number of immigrants coming from this country. (Serra, 2005)

Hence, if quota figures prioritise immigration based on labour market needs and productive skills, bilateral agreements are justified for political reasons. Nonetheless, on the employers’ side, the existence of a formal agreement between the two countries allows for more sustained relationships and even the organization of intermediary services through business organizations, which can send or establish offices that facilitate the recruitment of foreign workers in the countries of origin. For example, in Catalunya, which one of the Autonomous Communities with largest migrant inflows, main regional Employers’ Association (Foment del Treball) there are two intermediation offices (so-called Intermediation Services for Contracting Abroad, “Servei d’Intermediació Laboral en Origen” — SILO) in Colombia and Morocco. These regional representations offer employers assistance in the recruitment process and administrative procedures.

#### b. Regularisations

Another characteristic feature of the Spanish immigration policy is the use of the regularisation programmes. Since 1985, there have been six regularisation campaigns (i.e. in the years 1985, 1991, 1994, 1996, 2000 and 2001). To some extent they compensate for an ineffective and restrictive admission policy, which leaves many undocumented migrants in Spain. Many of these programmes were meant for migrants in irregular situations in Spain. They were granted a one-year valid residence permit, but difficulties in the renewal procedures and other administrative obstacles were pushing immigrants back into irregular status (Ortega, 2003; Cornelius, 2004, Serra, 2005). The last regularisation took place in 2005 and it was employer-driven. One of the purposes was also to reduce informal employment among foreign workers in Spain. (See table 3 in Annex B.7 for regularisations)

The most recent regularisation programme took place in 2005. The Spanish government chose to describe the 2005 regularisation programme as a “normalisation” process as it applied only to those migrants already working in Spain. This campaign was massive and was intended to be the last (i.e. to eliminate any future expectations of another one in the years to come). The campaign had a strong focus on economic and labour-related issues. Irregular immigrants could only be regularised if certain conditions were fulfilled; for instance, they had to prove that they entered into Spain before 7 August 2004, and had a work contract for more than six months. There were almost 700,000 applications, of which 577,923 were approved. Regularisations concentrated in Catalunya and Comunidad Valenciana and Andalucía. (Observatorio Permanente de Inmigración, 2006; Pajares, 2007)

c. Regularisation through social/labour embedding (“arraigo social”, “arraigo laboral”)

The so-called “Arraigo” is particular to the Spanish situation. “Arraigo” means literally: provision of regular status for those that demonstrate to be “deeply rooted” or “socially/labour embedded” in Spain. The system of “arraigo” was already foreseen within the 2000 Immigration Act although it was not fully developed until recently. Actually, it has been under the Royal Decree 2393/2004 that the Art. 45.2a of the 2000 Immigration Act, recognising the possibility of “arraigo” for immigrants, entered into force. It recognises three modalities for “arraigo”: labour-based or social. For instance, for “labour rooting”, a minimum continuous stay of two years in Spain is required, together with a work contract, to prove that a work relationship has been in place for some time — plus other documents (including a no criminal record and register at the local municipality list — “padrón municipal”). For “social rooting”, a longer stay, of at least three years, is necessary, together with a work contract and either family ties or proof of social integration in the place of residence (e.g. certificate from the local municipality). Additionally, there is the possibility for “arraigo familiar”, in terms of a temporary residence and work permit for children of parents of Spanish origin.

In practice, the “arraigo” has functioned as a permanent regularisation scheme, which allows for the regularisation of individuals who have been in Spain for a number of years and fulfil certain criteria proving their integration in Spanish society. There are no explicit limits or annual ceilings to regularisation through “arraigo”, albeit restrictions can be made through administrative obstacles. (Sandell, 2005.)

Aja (2006b) argues that the “arraigo” actually substitutes the annual quota, as it is a more flexible channel for entry into the Spanish labour market. In fact, the work permits through “arraigo” are not restricted to sectors officially suffering from labour shortages. The required work contract presented by the immigrant applying for “arraigo” responds directly to a labour need that he/she has filled and has been agreed once the immigrant was in Spain. The employer benefits as this channel is not dependent on either the sectoral restrictions imposed by the annual quota or its lengthy administrative procedures (mainly, contracting abroad). (Aja, 2006b.)

In 2006, arraigos totalled 7,427 authorisations, mostly concentrated in Catalunya and Andalucía. The regime of “arraigo social” is relatively more important than “arraigo laboral”, 6,619 and 223 relatively. (See table 4 in Annex B.7 for more detailed figures). Hence, albeit at relatively low numbers, these figures would suggest that “arraigo” is certainly being used by immigrants. Thus, we can expect that its use grows over time as immigrants fulfil the minimum period of continuous stay in Spain. By categories, “arraigo social” is, relatively, being more used. Undocumented migrant workers possibly preferred to try this way rather than “arraigo laboral” because they were not confident about providing sufficient proof of a previous work relationship, which was likely to be in the informal economy.

Overall, this makes us think that the system of “arraigo social” will be increasingly used to establish formal work relationships by immigrant workers. This also proves that current legal mechanisms fail to respond to demand for foreign labour (Sandell, 2005). They are excessively restrictive and, in reality, an important share of labour migration is only controlled later on in a reactive/ex-post manner through mechanisms for regularisation such as “arraigo”, when the immigrant has already contributed to the Spanish economy for some time. However, such a system clearly complicates any attempt at migration planning. Even more, it may be incompatible with growing restrictions on irregular employment introduced in 2004. In fact, until now, the “arraigo” has implicitly recognised that migrant workers have been employed through informal work arrangements for some time.

---

<sup>33</sup> Resolución de 28 de febrero de 2007, de la Secretaría de Estado de Inmigración y Emigración, por la que se dispone la publicación del Acuerdo de Consejo de Ministros, de 16 febrero de 2007, por el que se aprueban las Instrucciones por las que se determina el procedimiento para autorizar la entrada, residencia y trabajo en España, de extranjeros en cuya actividad profesional concurren razones de interés económico, social o laboral, o relativas a la realización de trabajos de investigación y desarrollo, o docentes, que requieran alta cualificación, o de actuaciones artísticas de especial interés cultural.

Considering that labour shortages are likely to continue (and even grow) in coming years, further coordination may be necessary between this continuous, individual regularisation mechanism and growing controls over irregular employment.

### **High skilled migration**

Overall, in Spain, no specific reference is made to attracting high-skilled foreign workers. Nonetheless, some recent steps point towards an increasing interest in this category. In particular,

*Attracting high skilled migration is still not a priority*

in 2007, admission of qualified foreign workers to Spain was made easier. Article 41 of Law 14/2003 foresees the exemption from work permits for high-skilled immigrants. This rule applies to highly qualified technicians and scientists who are invited to Spain by the State, the Autonomous Communities,

local governments, university professors or teaching professionals in cultural institutions. And, in 2007, the Spanish Government introduced some measures to further facilitate the entry of highly specialised and skilled professionals<sup>33</sup>. However, contrary to other Western European countries (e.g. Germany), no mention is made about whether Spain intends to increase resources to attract skilled foreign workers. There are no signs of the planning which is argued to be increasingly necessary (but not sufficient) to fill labour shortages arising from an ageing domestic workforce.

### **Final remarks**

The Spanish policy mix (i.e. border control, quota system with contracting abroad, and bilateral agreements, combined with regularisations) has not been successful in managing legal labour migration. And what is more important, no sign is found of explicit multi-year planning of foreign labour inflows.

*Final remarks to Spanish labour immigration planning and policy instruments*

The quota system has been systematically incapable of responding to real labour market needs. The number of immigrants foreseen for the annual quota by the Spanish authorities has always underestimated the actual annual volume of migratory inflows. Besides, the nominative call through the general regime has proved to be a cumbersome and lengthy administrative process. Partly as a result of this growing numbers of immigrants have entered Spain without a work permit (i.e. illegally or legally but over-staying) and still have managed to find employment, often through informal work arrangements. In fact, being employed, they could wait for a regularisation programme to be implemented or for the necessary amount of years to be eligible for individual regularisation through "arraigo".

More recent changes were entered in force in 2005, and, after two years, it is still too early to assess whether these changes will be able to address the apparent two-fold objective of the Spanish administration regarding immigration: a) labour migration responding to domestic labour market needs and b) combating irregular immigration. By and large, despite more recent modifications that have increased linkages with labour market needs, migration planning is still rather informal, reactive and short-sighted.

The problem is the Spanish Administration has failed to adequately estimate demand for foreign labour, and so, as a result, as the trends become evident, it is already too late to intervene. Despite it being true that the annual quota takes into consideration economic differences across Spanish regions, it focuses on those economic sectors and occupations that encounter more difficulties finding candidates. But they do not always correspond to the actual occupations undertaken by immigrants entering into the Spanish labour market. Hence, many experts point out that the current system is excessively restrictive, as it does not take account of actual labour needs (in volume and in skill profile).

Moreover, and as Sandell argues (2006, p. 15): "We should not underestimate the problem caused by the failure to estimate the domestic demand for foreign labour and the provision of regular immigrants, since it could increase the demand for irregular immigrants to cover labour shortages over the short term". In fact, the tourist and agricultural sectors are relatively important in the Spanish economy, and they are both highly dependent on low-skilled, low-paid seasonal workers.

Furthermore, with increasing female participation in the labour market and increasing demographic ageing, there is an increasing demand for low-cost domestic employees. Both the demand for domestic workers and for seasonal workers is clearly difficult to channel through a system based on contracting in the country of origin, leading to an underestimation of the actual demand for foreign labour and an increased probability of illegal contracting to fill immediate labour needs. Moreover, in general, there are also economic interests at stake, as economic growth has been fuelled by the availability of a migrant workforce (Caixa Catalunya, 2006). Continued growth of Spanish enterprises has been possible thanks to the availability of foreign labour which, if not satisfied through legal mechanisms, might turn to the illegal contracting of irregular immigrants.

Besides, there are several relevant factors that are not being explicitly taken into account in the definition of the annual quota. Above all general trends arising from macro indicators and demographic concerns are not explicitly considered. Nor, seemingly, are the growing number of family reunifications taking place. The latter should be considered, as these inflows shall offer further information about additional inflows of foreign workforce entering through other legal admission channels. This entry of a potential workforce is regulated by factors other than labour demand and which are even more difficult to predict. Further, human capital issues, or necessary skill profiles, are only considered through the occupational profiles in vacancy registers. There is no explicit goal of attracting highly skilled workers, whilst this category has recently been granted facilitated admission.

Therefore, in Spain, there is not clear, straightforward and comprehensive migration planning over the medium-term. In general, there is no proactive stance to migration planning, but rather reactive behaviour by the Spanish authorities. Some steps have been taken to improve multi-year planning in regard to the integration of migrants already present in the territory. However planning of future migration flows remains short-term oriented and reactive, more focused on control rather than management. Indeed, as demographic ageing starts to be felt and integration problems arise, the need for planning about investing in the employability of immigrants currently residing in Spain has started to be debated.

Further, some national experts such as Arango and Sandell (2004, p. 36-37), as well as one of the main trade unions, Comisiones Obreras (CCOO, 2007), argue in favour of a general annual quota. Such mechanism should be based on forecasts of labour needs at macro-level, separate from the micro-level which is driven by hiring needs linked to the business cycle. They believe that such migration planning would satisfy general requirements in terms of population and human capital, while taking into account the overall evolution of the domestic labour market (i.e. inflows and outflows from the labour market, unemployment). They consider that migration planning should also envisage necessary financial and human resources to be invested in the integration of new arrivals and current foreign residents, pointing to their settlement and contribution to growth over the longer run. They exclude family reunification and asylum seeking from the calculation, which are considered to be out of the administration forecasting capacity (as they are regulated by not strictly economic reasons). Conversely, CCOO (2007) proposes to include these flows (i.e. family reunification and asylum of working age individuals) in the calculation. Whatever option was chosen, the resulting annual quota would be certainly greater than that of the current quota system, and more aligned to the total number of legal admissions. Such a proposal assumes that a proactive policy approach would be adopted by which migration of foreign workers should be given a general work permit that allows them to enter and find employment where they are most needed. Experts note that it would be necessary to establish a set of criteria by which foreign workers are selected before entry. Such criteria should be based on estimates about future necessary skills, and prospective migrants should be authorised according to their qualifications and skills. These authors consider that this system should nonetheless be complemented with strict policy measures against undeclared work. As the key to challenge an irregular migration model is not only combating irregular entry, but also, and mainly, decreasing the possibilities of employing immigrants without necessary residence and work permits in the informal economy.

However, in Spain, many of the elements necessary for such a scheme to function are currently missing. Moving towards a proactive migration planning would require a deep change of approach



at the political level. Apart from technical barriers linked to the weakness of the labour forecasting exercise, some specific features of the Spanish system may pose further obstacles to change. First, and as explained previously, since 2002 access to work and residence permits through hiring at the country of origin and a work permit that is binding in sectoral and geographical terms. Despite the fact that this is believed to contribute to reinforce legal channels of entry and to contest irregular employment of immigrants, in reality it poses obstacles to labour supply and demand matching. Employers generally complain that this requirement is very demanding and tightrestrictive in relation to immediate business needs. This is especially true for certain categories of employers such as households and small-sized firms that cannot afford the participation costs and other requirements, such as travelling abroad to follow the selection procedure.

Secondly, any major change of labour immigration policy will encounter coordination issues among the different government levels of government. Local and regional levels are directly and increasingly responsible for the implementation of immigration policy. In Spain, there is on-going reform of the distribution of power among the different levels of government. As a matter of fact, some experts pointed out that these changes could lead to a more decentralised management of immigration policy. For instance, in 2006, Catalonia, one of the most autonomous regions, was granted an increase in its powers<sup>34</sup>, and the reform included the management of immigration. Hence, one of the possible scenarios ahead is that each of the regions has powers for defining their admission procedures and planning on the basis of a set of guidelines issued by the central government.

## 6. Final remarks about Spanish case

Expansion of immigration has occurred over a period of steady economic growth in Spain so new immigration is predominantly work-related. Migrant workers concentrate in certain economic sectors — agriculture, construction, domestic service and hotel and restaurant services — and in certain geographical areas. Some reservations persist mostly due to the fact that a significant proportion is undocumented, feeding the traditionally significant informal economy. As regards to the latter, it is mostly defended on the grounds that it shall be addressed by insisting on (and increasing resources for) policies oriented to tackle informal economic activities (from the labour demand side), while reinforcing legal channels of entry to Spain.

Demographic debates regarding birth rates and ageing population are relevant in the policy agenda, though they are not effectively translated into admission policies.

Information about the labour market needs is mostly obtained from the labour force survey and from continuous monitoring based on vacancies and unemployment registries and consultation with the main stakeholders (i.e. “Catalogue of Occupations Difficult to Cover”). However, and despite significant resources devoted to its creation and implementation, it should be noted that it is still under-utilised. Specifically, it is just used to facilitate labour market tests for employers who intend to recruit migrant workers within the general regime.

Overall, Spanish immigration policy is rather reactive. Admission procedures such as the annual ceilings for non-seasonal and seasonal work that are defined according to labour market needs actually account for a small percentage of overall immigration. The main share of migrant workers enter under other migration categories. Recent changes such as the catalogue and the increased role of social parties (Tripartite Employment Commission on Immigration) in the policy process should contribute to the identification of foreign labour needs. Nonetheless, the whole admission system still suffers from levels of bureaucracy and complex administrative procedures that hinder the overall policy implementation, as flexibility and efficiency are seriously damaged.

---

<sup>34</sup> In the new ‘Estatut d’Autonomia’ (2006), Catalonia has been given additional powers in several policy areas. Specific to immigration issues, Department for Social Affairs will have full power in terms of integration policy of immigrants upon their arrival. Department of Labour is given new powers concerning the approval of work permits, which shall be authorised in coordination with the central government (which is in charge of the residence permit).

There is broad agreement among experts that Spain's current shortages of labour in certain sectors of the economy are relative rather than absolute. Recent immigrants have been channelled to certain labour market niches that have been abandoned by domestic workers. Spain's highly segmented labour market explains why there are large pools of domestic unemployment together with unfilled vacancies. Jobs available for foreign workers are mostly concentrated in low-skilled and low-paid sectors, such as agriculture, domestic services and construction. As ageing advances, such relative shortages will certainly deepen and push the economy towards an absolute labour shortage. As the study by Josep Oliver (2006) points out, such demographic effects shall be perceived in the medium term (up to 2020).

## References

- Aja, E. (2006a): "La evolución de la normativa sobre inmigración", in *Veinte años de inmigración en España. Perspectivas jurídica y sociológica (1985–2004)*, Aja, E. And J. Arango, (Eds), Fundació CIDOB.
- Aja, E. (2006b): "Diferentes tipos de regularización en la legislación de inmigración", in *Inmigración y Derechos de Ciudadanía*, Pinyol, G. (Ed.), Fundació CIDOB, November 2006.
- Aja, E. and J. Arango (Eds.) (2007): *La inmigración en España en 2006. Anuario de inmigración y políticas de inmigración en España (edición 2007)*, Fundació CIDOB.
- Aparicio Gómez, R. and J. M<sup>a</sup> Ruiz de Huidobro de Carlos (2007): "Modes of Migration Regulation and Control in Spain", in *Modes of Migration Regulation*, IMISCOE.
- Arango, J. and R. Sandell (Eds.) (2005): *Inmigración: prioridades para una nueva política española*, Report by Instituto Elcano and Instituto Universitario Ortega y Gasset.
- Arango, J. (2004): "Inmigración, Cambio demográfico y Cambio social", *Consecuencias de la evolución demográfica en la economía*, Instituto de Comercio Exterior — ICE, No. 815, May–June 2004.
- Balch, A. (2005): "Spain", in *Immigration as a Labour Market Strategy — European and North American Perspectives*, Niessen, J., Y., Schibel and C. Thompson (Eds.), Migration Policy Group.
- Ballester Pastor, M. A. (2006): *El Acceso al empleo de los trabajadores extracomunitarios*, Tirant lo Blanch, Ed.
- Blanco Fernández de Valderrama, C. (2002): "La gestión de los flujos migratorios. Algunas cuestiones previas en torno al caso español", in *Mediterráneo Económico: Procesos migratorios, economía y personas*, Instituto de Estudios Socioeconomicos de la Caja Rural Intermediterránea-Cajamar.
- Caixa Catalunya (2006): *Economía Española y Contexto Internacional*, Servicio de Estudios de Caixa Catalunya in collaboration with the Department of Applied Economics of the Universitat Autònoma de Barcelona-UAB, *Informe Semestral 1/2006*, July 2006.
- CES (Consejo Económico y Social) (2004): "La Inmigración y el Mercado del Trabajo en España", *Informe 2/2004*.
- CCOO (Comisiones Obreras) (2007): "Inmigración y mercado del trabajo. Propuestas para la ordenación de flujos migratorios", *Cuadernos de Información Sindical*, Confederación Sindical de Comisiones Obreras (CCOO), January 2007.
- Cornelius, W. A. (2004): "Spain: the Uneasy Transition from Labor Exporter to Labour Importer", in *Controlling Immigration: A Global Perspective*, W.A. Cornelius, T. Tsuda, P.L. Martin and J.F. Hollifield (Eds.), Standord University Press, Ch. 10, pp. 387–429.
- Einaudi, L. (2003): "Le politiche di gestione dei flussi di immigrazione lavorativa in Europa: l'evoluzione delle politiche in Francia, Germania, Gran Bretagna, Italia e Spagna" [in *Regolazione*



*dei flussi migratori: tra programmazione e precarietà degli interventi, Atti del seminario di studio, CNEL, 3<sup>rd</sup> December, Serie Documenti, n. 29, Roma].*

El País (2005): “Trabajo abre una vía para contratar de forma personalizada a inmigrantes en el extranjero — El Inem publica el catálogo de ocupaciones de difícil cobertura por residentes en España”, *El País*, Madrid — 02/07/2005.

Fernández Córdón, J.A. (2001): “El futuro demográfico y la oferta de trabajo en España”, *Migraciones*, Vol. 9, Instituto Universitario de Estudios sobre Migraciones, Universidad Pontificia Comillas.

Gortázar, C. (2002): “Spain: Two Immigration Acts at the End of the Millennium”, *European Journal of Migration & Law*, Jan2002, Vol. 4, Issue 1, pp. 1–21.

INEM — *Catálogo de Ocupaciones de Dificil Cobertura* — Last quarter of 2007/First Quarter of 2008 (available on-line at <www2.inem.es>).

Izquierdo, A. (1996): *La inmigración inesperada*, Trotta.

Mañé, F. and J. Oliver-Alonso (2002): “Projecting labour market developments in Spain through 2010: from massive unemployment to skill gaps and labour shortages?”, in M. Neugart and K. Schömann (eds.), *Forecasting Labour Markets in OECD Countries: Measuring and Tackling Mismatches*, Edward Elgar, London.

Marín Marín J. and F. Gallego Moya (2005): “La centralidad del trabajo en la regulación de la extranjería”, *Observatorio Sociolaboral*. No. 36, September 2005.

Ministry of Interior of Spain (2000): *Programa Greco 2000–2004*, at <www.mir.es>

Ministry of Labour and Social Affairs: <www.mtas.es>; Secretary for Immigration and Emigration: <extranjeros.mtas.es>

Moreno Fuentes, F.J. (2005): “The regularisation of undocumented migrants as a mechanism for the ‘emerging’ of the Spanish underground economy”, *Documento de Trabajo UPC 05–06*, Unidad de Políticas Comparadas (CSIC).

Moreno Fuentes, F.J. (2000): “Immigration Policies in Spain: between External Constraints and Domestic Demand for Unskilled labour”, Paper presented at the ECPR Joint Sessions of the Workshop ‘Beyond Fortress Europe?’ *New Responses to Migration in Europe: Dual Nationality, Co-Development, and the Effects of EU Enlargement*, Copenhagen, 14–19 April 2000.

Observatorio Permanente de la Inmigración (2006): *Anuario Estadístico de Inmigración*, [available on-line at: <extranjeros.mtas.es/es/general/DatosEstadisticos\_index.html>].

OECD (2003): “The Economic Impact of Migration”, *Economic Survey of Spain*, Chapter 4.

Oliver, J. (Ed.) (2006): *España 2020: un mestizaje ineludible*, Institut d’Estudis Autonòmics de la Generalitat de Catalunya, Con(Textos)A, Vol. 3.

Oliver, J. (Ed.) (2006): “Las Españas de la inmigración: mercado de trabajo e inmigración en las CCAA 1995–2005”, *Índice Laboral Manpower*, Fundación Manpower.

Observatorio Permanente de la Inmigración: *Indicadores de la inmigración y el asilo en España*, Instituto de Migraciones y Servicios Sociales — IMSERSO/Ministry of Labor and Social Affairs.

Ortega Pérez, N. (2003): “Spain: Forging an Immigration Policy”, Migration Policy Institute.

Pajares, M. (2007): “Inmigración y mercado de trabajo. Informe 2007 — Análisis de datos de España y Cataluña”, *Documentos del Observatorio Permanente de la Inmigración*, No. 14.

Pérez-Díaz, V. and B. Álvarez-Miranda, C. González-Enríquez (2001): “España ante la inmigración”, *Colección Estudios Sociales* No. 8, Fundació La Caixa.

Ruiz de Huidobro, J. M. (2001): “El régimen legal de la inmigración en España: el continuo cambio”, *Migraciones*, Vol. 9., pp. 69–103, Instituto Universitario de Estudios sobre Migraciones, Universidad Pontificia Comillas.

Sacristán Romero, F. (2006): "Contingente de trabajadores extranjeros en España", *Nómadas. Revista Crítica de Ciencias Sociales y Jurídicas*, Vol. 13, No. 1, Universidad Complutense de Madrid.

Sandell, R. (2006): "Spain's Immigration Experience: Lessons to be learned from looking at the Statistics", Real Instituto Elcano, *Working Paper* — WP 30/2006, December 2006.

Sandell, R. (2005): "La búsqueda española de una inmigración regular", Real Instituto Elcano, *Análisis del Real Instituto* — ARI No. 64/2005, May 2005.

Sandell, R. and A. Sorroza, I. Olivie (2007): "Immigration: A Challenge Offering Opportunities?" Real Instituto Elcano, *Working Paper* — WP 19/2007, June 2007.

Secretaría de Estado de Inmigración y Emigración (2007): *Plan Estratégico de Ciudadanía e Integración 2007–2010*, State Secretary for Immigration and Emigration, Ministry of Labour and Social Affairs, February 2007, extranjeros.mtas.es.

Serra, A. (2005): "Spain", in *Current Immigration Debates in Europe: A Publication of the European Migration Dialogue*, Niessen, J., Y., Schibel and C. Thompson (eds.), Migration Policy Group.

Tornos Cubillo, A. (Ed.) (2003): *Los Inmigrantes y el mundo del trabajo*, Universidad Pontificia Comillas, Madrid.

Zapata Barrero, R. (2003): "Spain — country report", in *EU and US approaches to the management of immigration*, Niessen, J. and Y. Schibel, R. Magoni (eds.)

## 5. Final Recommendations

In the following pages, we provide policy recommendations for an effective labour market assessment and migration planning mechanism. We argue that some general factors apply but that their specific definition and practical implementation is necessarily conditioned by country-specific factors. In conclusion, we derive some recommendations from the Italian and Spanish experiences.

On the one hand, the formulation and success of the operation of the general idea of economic immigration “planning” requires the following:

- 1) **Establish a Division of Immigration planning.** The first prerequisite for a comprehensive policy is the setting up of a coordinating body which should be organized in a proper way. The linkages between immigration policy, external relations with countries of origin of immigration flows, security policy, social policy, labour market policy, education policy, and fiscal policy ought to be more closely integrated in order to face problems of coordination across jurisdictions.
  - a. A possibility of establishing a non-departmental public body, which shall provide transparent and independent guidance to the government. An example could be the UK’s Migration Advisory Committee. In fact, also for Spanish experts we suggest the creation of a separate immigration agency for these purposes.
- 2) **Fixation, based on time horizon priorities, of Objectives, Targets and Priorities.** An immigration policy must lay down a couple of specific objectives. Based on them, the next step is to fix quantitative global and sectoral targets and priorities for achieving the laid down objectives. Global and sectoral targets should be mutually consistent in order to attain the objectives, and this requires determining priorities. Priorities should be laid down on the basis of the short-term and long-term needs of the state, keeping in view that both the short and long term context are important and legitimate, somehow interlinked, but they are not necessarily convergent in terms of immigration policy implications. A sound governmental immigration policy consists of establishing intelligent priorities and formulating a sensible and consistent set of political instruments and programmes to address. It is likely that political factors shall ultimately condition priorities and the emphasis given to these targets. Nonetheless, it is essential that global and sectoral targets are clearly defined, in such a way that they can be translated into operational and measurable terms. Specific to the issue of labour migration to fill labour and skill shortages, significant efforts should then be devoted to define when an occupation is to be considered skilled, when it is experiencing shortage and, importantly, when it is sensible to be filled with migrant labour (Metcalf et al, 2008)<sup>35</sup>.
- 3) **Statistical Data.** A prerequisite for sound policy is a thorough survey of the existing total available material, capital and human resources of the country together with its deficiencies. As explicitly recommended by the US Committee on National Statistics and Committee on Population<sup>36</sup> for improving data for the study of immigration, the collection, accumulation, and tabulation of reliable, accurate and timely statistical information on immigration is a basic responsibility, as well as to initiate a review of all data-gathering activities to eliminate duplication, minimize burden and waste, review specific data needs and uses, standardize

---

<sup>35</sup> Metcalf, D. (Coord) and D. Coyle, M. Ruhs, J. Wadsworth, R. Wilson (2008): “Identifying skilled occupations where migration can sensibly help to fill labour shortages”, Migration Advisory Committee, UK.

<sup>36</sup> Edmonston B. (ed.) (1996), *Statistics on US Immigration. An Assessment of Data Needs for Future Research*, National Academy Press, Washington D.C.

definitions and concepts, document methodologies, introduce statistical standards and procedures. Based on this, it is important to review the role of the census, the cornerstone of the nation's statistical information on the population, in providing immigration data; to add contextual data as local unemployment rates and current as well as longitudinal and special purpose immigrants surveys using micro-level data. In such a way, the results of macro-level and micro-level studies complement each other.

- a. Typical data limitations encountered when dealing with labour market assessment for the purposes of migration planning are: limited levels of disaggregation, time lags in the data, and lack of counterfactuals. Besides, on some occasions, weighting of indicators and cut-off points may respond to political choices, rather than economic reasons.
- b. Top-down information may be complemented with bottom-up information obtained from ad hoc surveys (e.g. employer survey), where relevant, and consultations with main stakeholders.
- 4) **Mobilisation of resources.** A policy fixes the public sector outlay for which (financial and human) resources are required to be mobilized at national and subnational levels.
- 5) **Efficient Administration.** An adequate, competent and efficient administration is a *sine qua non* of successful policy. Without such administrative machinery, immigration policy has no *locus standi* in a country. The risk of understaffed administration is one of the main problems in translating policies into operative actions. The secret of effective policy lies in good public administration and in sensible politics.
  - a. Linked also to the fourth point, significant resources should be devoted to monitoring and evaluating on-going processes, especially at the stage of migration policy implementation. It should be ensured that discretion at this stage is minimal and that administrative tasks are performed in a transparent, accountable and coherent manner. This shall be relevant in those administrations with high levels of decentralisation, and in contexts that face problems of an informal economy and higher risks of corruption.

On the other hand, some specific factors should also be borne in mind when comparing immigration policies across countries. In particular, we can identify five country-specific factors that may condition the choice of immigration policy goals and tools.

- 1) **Structural socioeconomic factors** (mainly, the economic situation) are crucial in determining whether immigration can take place and of what kind, as well as which specific immigration policies should be adopted and how their effectiveness may be conditioned.
- 2) **Geography and geographical position** do matter, too. From one side the shape of land-locked countries is very different from the situation of countries — such as Italy and Spain — with prevailing coastal borders.
- 3) **International relations** factors concur in determining specific immigration policies and their effectiveness.
- 4) **If and how public opinion and interest groups'** ideas and perceptions on migration affect immigration policy differs across countries as well as across groups. Also, it depends on the importance of public opinion and attitudes and on the way it is developed and interacts with political decisions in different contexts. Here, we can also include the **political input**. In fact, the political sign of the government in power may play a significant role in the design and implementation of immigration policy.
- 5) The uniqueness of a given immigration context is not the immigration itself but its magnitude and speed of change and composition, which are somehow determined by the prevalence of long-term or short-term, pro-active or reactive nature of immigration policy.

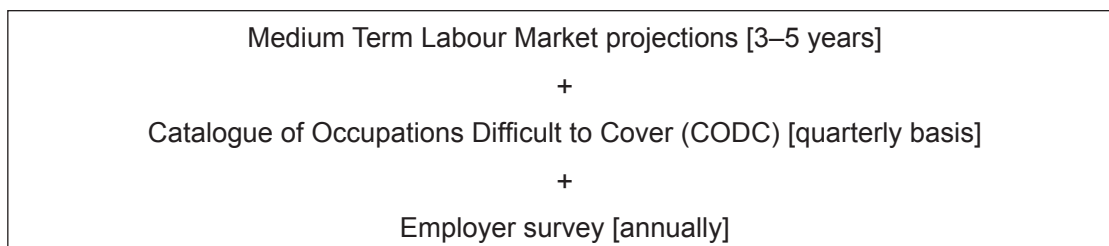
In addition to these general aspects, from the Italian and Spanish case studies, we can derive some general recommendations for a feasible and effective migration planning mechanism in terms of a tentative roadmap.

Providing that immigration goals and policy priorities have been clearly identified, the measurement of foreign labour needs is the next step to be dealt with. As stated earlier in this study, exclusively relying on employers' hiring intentions may lead to biased estimates of labour shortages. Hence, information on the labour market should also contain information on the evolution of domestic labour supply (participation, employment and unemployment), including demographic concerns as well as education and occupational trends.

Specifically, a possible solution to gather information about future labour market needs for migration planning would be to combine medium-term (3-5 years) labour market projections (of the type suggested by the special studies) to be streamlined to allow for regional and sectoral/occupational disaggregates. These estimates shall already account for demographic evolution, but they should also take into consideration that methodological refinements may require periodical revision of past series.

Such a forecasting exercise should then be complemented with an instrument like the Spanish Catalogue of Occupations Difficult to Cover (CODC) (based on administrative archives of the system of public employment services and consultation with social partners). It allows for an almost continuous monitoring of labour market dynamics. It accounts for labour supply and demand side variables, as well as for internal mobility and reaches a significant level of detail in terms of occupational structure.

Additionally, an annual employer survey, such as the Italian Excelsior, could also bring relevant information based on a representative sample. Specifically, following the Excelsior model, the methodology should be designed so as to collect representative local labour market features as well as particularities of sectoral and occupational structures across regions. This instrument as well as the CODC should be used on a regular basis with a view to collecting information about labour needs on a continuous basis.



Information on labour market needs gathered through this integrated system should provide details on skills and structural labour shortages, distributed across the territory. Next, considering immigration policy goals, a series of criteria shall be determined to identify those sectors and skills which it is sensible to fill with migrant workers. In this sense, a pro-active migration policy should be pursued which assesses both the qualifications (labour market needs) and adaptability (socio-economic absorption capacity) of potential immigrants.

Socio-economic elements should complement these labour market criteria. Here, the administration can set a series of criteria that potential migrants should fulfil so as to ensure a steady and successful integration to the host society (i.e. alleviate the pressure on local socio-economic systems). Absorption capacity should consider also local socio-economic features, such as sufficient and adequate housing capacity, pressure on public services, etc. A proper allocation of resources to public services (health care, education, social assistance, security, etc.) is essential, because a sharp rise of population concentrated in a few regions or towns may lead to bottlenecks, and local systems may come to a standstill. Likewise, unavailability of housing (neither rented nor owned), for instance because of unaffordable prices or not suitable for habitation, may result in the creation of marginalised areas in towns and cities, and related issues as regards to urban management and security/stability.

Weighting assigned to the different criteria (labour and socio-economic) shall be determined according to immigration policy goals, as well as the main relevant objectives in other policy areas.

As well as this we wish to highlight **other elements to be considered in labour immigration planning**:

- A comprehensive approach is necessary. Immigration is a complex and multifaceted phenomenon. As stated above, labour migration planning should take into consideration aspects other than purely economic ones: security, foreign relations, political and public opinion issues, etc. For this, it is necessary that authorities have clearly-defined objectives which allow for the identification of the top priority of the moment, and determine the weighting for the different immigration criteria.
- A coordinated and coherent policy is crucial. Coordination among different governance levels, among different policy areas (foreign affairs (visas), labour market (work permits), social (housing, education, health, etc) and interior (security)). For instance, as aforementioned, a national immigration agency, autonomous from ministry control and the electoral calendar, can be a solution for a more timely policy design and implementation. Furthermore, a one-stop immigration agency can facilitate the coordination of all actors involved in the process, as well as increasing transparency in the procedures and information systems.
- Clear, transparent and accountable information systems are necessary to identify in a timely manner labour market needs, but also estimate absorption limitations. Information systems and indicators should be designed so that no room for discretionary interpretation of indicators is left.

Ultimately, having in mind the permanent shortages scenario, which is expected to gain relevance in the near future, and also considering the Italian and Spanish cases, migrant workers that are most likely to match labour and skills shortages and with the best chances to integrate are probably those who have greater adaptability to changing conditions, as a result of their qualifications, experiences and personal abilities. Therefore, in cases such as the Italian and Spanish in which foreign workers are to be recruited from abroad, selection procedures in the countries of origin become key elements for the future functioning of the national labour migration schemes. Moreover, integration policies should be addressed as the main pillar of immigration policies where growing shares of migrants are stabilizing in host countries, as is happening in Italy and Spain.



# **Monitoring Labour Shortages in the UK**

## **A review of the consultation process governing the determination of priority sectors for labour migration**

Prepared for the International Labour Organization  
by Marielle Sander Lindstrom

January 2009

## List of Abbreviations

A2	Accession of 2 Countries: Romania and Bulgaria
A8	Accession of 8 Countries: Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovakia, Slovenia
EEA	European Economic Area
EU	European Union
GBP	British Pound
HO	Home Office
IT	Information Technology
MAC	Migration Advisory Committee
MAC Report	MAC Recommended Shortage Occupation List for the UK and Scotland
MRN	Migrants Rights Network
NGO	Non-Governmental Organisation
NHS	National Health Service
PBS	Points-Based System
REC	Recruitment and Employment Confederation
RLMT	Resident Labour Market Test
SBS	Sector Based Scheme
SME	Small and Medium Sized Businesses
TUC	Trades Union Congress
UK	United Kingdom (England, Wales, Scotland and Northern Ireland)
UKBA	United Kingdom Border Agency

# 1. Executive Summary

Since the turn of the millennium, the UK has systematically worked towards streamlining areas that are perceived to be an obstacle for the UK's target of strengthening its position in the world economy. The global market is unforgiving of inefficiency and poor planning which is why the UK has been forced to scrutinize the competitiveness of its workforce across sectors ranging from construction and financial services to social care. The Leitch Report<sup>1</sup> published in 2006 showed that despite the strong position of the UK economy, the country was lagging behind its competitors in terms of productivity. The ageing demographics of the UK population, has also prompted the Government to look more closely at its needs to offset an ageing population with "replacement migration." While these migrants also will grow old, the UK has embraced the need to put a plan in place that will ensure that the "UK will join the 'world's premier league' for skills by 2020."<sup>2</sup> Selective labour migration in tandem with strong controls against irregular migration forms the basis of the UK's labour migration policy.

The UK's strategy to decide opportunities for labour migration is built around the premise that the optimal solution for the UK is to up-skill its local workforce and to only use labour migration as a short-term solution. The UK's Points-Based System (PBS) for labour migration launched in 2008 is based on the Australian model which divides potential migrants into five distinct categories to determine their eligibility. Labour migration is centrally controlled through the UK Border Agency (UKBA) and its associated body, the Migration Advisory Committee (MAC). The MAC engages in a top-down, bottom-up consultative process using national data sources as well as feedback from employer organizations, trades unions and civic groups to determine occupations deemed in shortage. At the same time, the UK has embarked on a nationwide campaign together with sector skills councils and employer organisations to upgrade the skills of the home-based workforce. The new PBS blocks low-skilled migration to the UK; at the same time the UKBA has been given increased resources to enforce the new immigration rules at border crossings and through random on-the-job compliance tests to identify undocumented migrants. A Civil Penalties Scheme aimed at employers allows for up to GBP 10,000 and penalties for infringements of immigration regulations.

The MAC is led by labour market economists who are appointed outside the Home Office and are experts in their field. As such they can easily communicate with counterparts who engage in labour market projections for their sector. Sector-specific knowledge facilitates communication and builds understanding. Several interviewees made reference to the importance of "speaking the same language," and expressed hope in the MAC structure as an independent, non-political arm of the UKBA.

The Sector Skills Councils (SSCs) which cover all aspects of the UK economy were an important resource to the MAC during the consultative process to establish the PBS despite concerns that the information submitted to the MAC for consideration was not sufficiently evidence based as per the MAC criteria — this can partly be attributed to the tight timeframe — less than six months. Additionally the SSCs sectoral overview rather than occupational remit caused problems when some

---

<sup>1</sup> Leitch Review of Skills 2006, "Prosperity for all in the Global Economy: World Class Skills" 5 December 2006, <[http://www.hm-treasury.gov.uk/leitch\\_review\\_index.htm](http://www.hm-treasury.gov.uk/leitch_review_index.htm)>, PDF file available, accessed November 18, 2008. This report has been a cornerstone of the UK's push to upgrade skills across all sectors of the UK workforce.

<sup>2</sup> Migration Advisory Committee (UK Border Agency): "Skilled Shortage, Sensible: The Recommended Shortage Occupation Lists for the UK and Scotland" September 2008, <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreport2008>>, accessed October 17, 2008, p.12.

occupations, e.g. engineering, spanned several sectors. To offset the imperfect data received by the SSCs, the UKBA established Sector Advisory Panels (SAP) to provide direct stakeholder input into the Shortage List. This important panel included some key SSCs, trades unions, professional bodies and employers. The SAPs were considered highly effective and many representatives have lobbied for them to become a permanent element in the future reviews of the Shortage Occupation List. Without the SAPs, the collaboration between employer bodies, trades unions and workers, the consultation process would be more disjointed and incomplete. As it stands, the SAP representatives covered the main areas of the economy and all regions within the UK and Scotland, ensuring that any decisions made have included geographical variations in employment.

Overall the UK's labour migration system is ambitious and far-reaching. It involves, not only revising and overhauling the UK's immigration policies, but it also feeds into the development of a new Immigration and Citizenship Bill. Additionally the educational institutions, vocational training sectors, government and employers have agreed to Skills Sector Agreements committing these institutions to time-bound deliverables aimed at upskilling the local workforce. Many of these institutions are now looking at how to adapt their "evidence" of shortage occupations to comply with the MAC's criteria, so the introduction of a far-reaching reform such as the PBS will have repercussions in all organisations and that are affected by it.

While the PBS intends to promote skilled migration necessary for the UK economy, other than enforcement of immigration rules, there are no measures in place to deal with a potential increase of migrants in irregular circumstances, or to safeguard their rights. Removal and deportation mechanisms alone are expected to suffice. It can be hoped, however, given the broad-based feedback mechanisms introduced by the MAC process that the new system may be flexible enough to identify the potential backlash of the PBS even though it has no mandate to deal with it.

The success of the PBS depends on accurate and timely data on the one hand and clear communication with employers and trades unions on the other; if that relationship can be maintained and if the application of the PBS is flexible to market needs, then the UK's vision to become a global leader in skills by 2020 may be within reach.

## 2. Introduction

### 2.1. The UK in context

The UK has consistently over the past decade been a net importer of immigrants and the Government widely acknowledges the economic contributions of migrants to the UK economy. In fact, studies have shown that in general, migrants are better qualified than the local population<sup>3</sup>. At the same time, migrants can constitute a burden on local authorities who do not have the financial and human resources to cope with the net influx of émigrés. Keeping this delicate balance in mind, the Government has positioned itself as a gatekeeper — with one eye to the UK economy, and the other — on the social barometer that is equal to the sum total of access to employment, healthcare, welfare and quality of life of the local population. In keeping with this perspective, the Government has opted for a policy of selective migration that goes hand in hand with a nationwide covenant with businesses and trade unions through the sector skills councils to raise the skill level of the local workforce to meet the new demands of the labour market. It is a protectionist policy, with the interests of the UK in mind. It is the cornerstone of the British Government's economic development strategy and it will have significant impact on the UK's labour migration policies in coming years.

This paper addresses how the UK identifies labour shortages across sectors and what the role of Government, business and trade unions is in determining shortages and the need for outside labour to fill these gaps. It examines how information is gathered and shared between the different stakeholders and how that feeds into determining shortage occupations for the UK. The report looks specifically at the relationship between the Government and the seven skills sectors chosen by the Migration Advisory Committee for special consideration because of the proportion of labour migrants represented in these areas. While some migration will come from the UK's former colonies — in particular, the Indian Sub-Continent — it will not be as a result of past privilege; instead all migrants to the UK must meet standard criteria as set out in the UK's new Points-Based System (PBS) for labour migration.

Within this context, it is fitting to mention some similarities between the UK and Russia in respect of economic and emotional ties between former “colonies” and the “homeland”. In both contexts, ease of access has been a factor. Up until the 1960s Commonwealth citizens were visa-free and had the right to work and settle in the UK. For the Russian Federation, visa-free regimes with the CIS states offer a similar advantage to citizens of the former Soviet Union seeking work. Furthermore, the power of perceptual ties through education, a common language, and a history of interdependent economic links are also significant pull factors in both cases. However, the past three decades have seen the UK systematically extract itself from ties to its former colonies until the UK's policy on migration today relies mainly on migrants from within the European Union (EU) and exceptionally looks further afield for those whose qualifications will support Britain's efforts to maintain a leading position in the global economy. In the case of Russia, it shares a common border with Eastern Europe and Central Asia — countries that are significant sources of labour migration — and as such, the relationship with former States of the USSR is likely to evolve along a different path.

---

<sup>3</sup> British Chambers of Commerce 2007 report, *Migration: Plugging the Gap*, <http://209.85.129.132/custom?q=cache:AW8ri5jkAMgJ:www.britishchambers.org.uk/6798219246525606524/migrationsurvey2007.pdf+migration&hl=en&ct=clnk&cd=2&client=google-coop-np> Migration Survey 2007 PDF, accessed November 10, 2008, p. 1.

In view of the similarities between Russia and the UK mentioned above, in Section 2 I have included an overview of UK migration legislation spanning almost a century which shows how British migration policy has shifted over time in relation to its former subjects and it can offer some perspective on issues that may become more relevant to Russia over time. Section 3 provides information on the new Points-Based Migration System, the establishment of the Migration Advisory Committee and its stakeholders which are used to identify labour shortages and guide the development of the Shortage Occupation List (hereinafter referred to as the “Shortage List”). Section 4 describes the consultative process, outlining the composition and roles of the Sector Skills Councils (SSC), the Sector Advisory Panels (SAP) and the regional networks. Section 5 takes a closer look at seven of the 25 sector skills areas which have a higher proportion of migrant workers. In section 6, I have summarized concerns and constraints uncovered in the course of this research including the effect of the civil penalties scheme adopted by the Government in its efforts to restrict unwanted migration. Section 7 offers conclusions drawn as a result of the research.

## 2.2. Methodology

The main objective of this research is to describe the management of labour migration in the UK; specifically, the practical methods the UK employs to assess and forecast labour market requirements. It looks at the role of industry and expert advisory bodies in UK labour migration planning and policy making, and outlines the evolution of the UK migration policy as one piece of a complex, inter-related strategy to streamline and simplify all procedures related to “managed migration”. This research is one component of multi-country study conducted by the ILO in support of developing a framework for improved migration governance in the Russian Federation.

It must be emphasized that the UK’s current system of labour migration was only introduced in September 2008. While the process itself is new, it builds on a series of public consultations beginning in 2002 with the White Paper on Secure Borders, Safe Haven<sup>4</sup>, which outlines Britain’s integrated strategy for migration and asylum as well as citizenship and labour migration. Given that the Points-Based System (PBS) for labour migration is new, I could only look at the consultation process surrounding the development of the Shortage Occupation List for 2008; however, it has been done with the understanding that the Migration Advisory Committee, which manages the PBS, will follow the same procedures in the future.

The study was undertaken in two parts; a desk review of relevant legislation, literature and documents, followed by interviews with key stakeholders in government and business as well as the civic sector. While the secondary research provided the framework for this paper, the purpose of the primary research was to gather direct feedback from government and social partners on the development and application of the PBS as it is introduced. A special effort was made to address the needs and requirements of the construction, food (including hospitality and catering) and industrial sectors — areas that traditionally have had a high ratio of migrant workers. The methodology of determining the shortage occupations is clearly outlined in the MAC report itself, therefore only a cursory description of the methodology is included here for reference.

Study target groups:

- Migration Advisory Committee
- Sector Skills Councils (representing employer federations)
- Trade Unions
- Civic Groups

---

<sup>4</sup> UK Home Office White Paper, “Secure Borders; Safe Haven; Integration with Diversity in Modern Britain”, date posted February 2002, available at <<http://www.asylumsupport.info/publications/officialdocuments/integration.htm>> accessed November 3, 2008.



For the historical context of UK labour migration legislation, I have drawn on Gina Clayton's book, *Textbook on Immigration and Asylum Law, 3<sup>rd</sup> Edition*, since it outlines Britain's colonial ties, labour migration policies and immigration policies over a century. The background is important, because in the UK context, the colonies were the original providers of surplus labour and at the time, there was little attention paid to the idea of their permanent settlement in the UK. The lesson from this historical overview is that where there is labour migration, there will be an element of settlement and as discussed by Castles and Miller in *The Age of Migration*<sup>5</sup>, Governments would benefit from having a policy in place at the outset to deal with that inevitability — including policies on naturalization and family reunion.

Other sources of data are based on the analysis of regulatory acts, reports and publications of organizations involved in determining the Shortage Occupation Lists and the implementation of the points-based system for migration management as listed below:

- Migration Advisory Committee
- UK Border Agency
- Home Office
- NGOs
- Trades Unions
- Employers' organisations
- Interviews with representatives from each of the key target stakeholders

---

<sup>5</sup> Castles S., Miller M., *The Age of Migration 3<sup>rd</sup> Edition* (Basingstoke: Palgrave Macmillan 2003), p. 279.

## 3. Evolution of UK Labour Migration Legislation

### 3.1. Britain and its colonies

It is not practical to examine the evolution of Britain's labour migration policies without taking into account the UK's links with its former colonies. These ties have bound the British Isles with disparate ethnic groups spanning the globe from the Indian Sub-Continent to the Caribbean and China (Hong Kong); effects which are evident today in many sectors of the British economy ranging from health care to IT and catering.

From a historical perspective, Britain's migration challenges have been different from other parts of Europe since many labour migrants originated from various parts of the British Empire and therefore already were British colonial subjects. As such, they enjoyed similar rights to those of the native population. Over time, however, these rights have been eroded to reflect Britain's new political priorities; nevertheless ties remain — particularly with the Indian sub-continent. This section looks at the development of UK legislation governing labour migration beginning with management of its colonial subjects and concluding with UK's new policy of selective migration. It also shows how, over half a century, the UK has resolutely acted to reduce ties with its former colonies in an effort to reorient the UK's role in the EU and a globalised world economy.

### 3.2. Labour recruitment in Post-war Britain

In the past, work permits in the UK have been a means of controlling alien presence. In 1916 work "permission" was compulsory for all non-Commonwealth citizens and Europeans, entering the UK for work<sup>6</sup>, but permits were limited to a small group of people who wanted to come to Britain for certain categories of skilled work. At that time, the Commonwealth citizens<sup>7</sup> had free access to the UK labour market but in reality, few had the means to take advantage of that privilege. Things changed after the Second World War when workers were needed to rebuild the UK economy. Migrants filled occupations that the local workforce was not prepared to take. Initially, they came from refugee camps in Europe through the **European Voluntary Workers Scheme (EVWS)** which offered three year work contracts but with no right of settlement. After some time, the concept of inviting those migrants who were industrious and beneficial to the UK gained political favour and opened the door for settlement through the Ministry of Labour's **European Labour Recruitment Scheme**. At the same time, Commonwealth citizens, also began to be regarded as a source of migrant labour and were voraciously recruited by industries such as London Transport, British Hotels and Restaurants Association. Incentives included free transport to the UK as part of the recruitment process<sup>8</sup>.

### 3.3. Migration in post-colonial Britain

Until 1962, and the introduction of the **Commonwealth Voucher System**, only foreign nationals were required to have work permits. With the introduction of the Vouchers, Commonwealth nationals could no longer count on unlimited access to the UK labour market or the right to settlement in the UK to which they had previously been entitled. In an effort to harmonize immigration control for all non-UK nationals, Commonwealth citizens were required to apply for permits under three categories: Category A was awarded to workers with specific jobs job offers, Category B was awarded by British High Commissions overseas to Commonwealth citizens with skills matching identified shortage occu-

---

<sup>6</sup> Clayton, G. *Textbook on Immigration and Asylum Law*, 3<sup>rd</sup> Edition, (Oxford: Oxford University Press, 2008), p. 370.

<sup>7</sup> 53 states make up the Commonwealth — nearly all are former British territories. For a list of members visit: <<http://www.thecommonwealth.org/Internal/142227/members> >

<sup>8</sup> Ibid, p. 371.

pations in the UK. Category C vouchers were issued on a first come, first served basis, but with priority for war service<sup>9</sup>. At this juncture, the vouchers also included a right for settlement, which serves as an indication of the level of urgency surrounding the need for labour in an expanding UK economy.

In the early 60's the UK started negotiations with the European Community which began Britain's process of reorientation towards the European Community and a further distancing from its former colonies<sup>10</sup>. In 1965 a White Paper further restricted access to Britain for Commonwealth citizens by abolishing Category C and setting a quota of 8,500 for the remaining A and B.

The 1970's was a turbulent decade in the world economy with the energy crisis and escalating unemployment. In 1971, the UK entered into the European Union, thereby automatically opening its borders for EU citizens to travel and work in the UK. On the same day, in the Immigration Act of 1971, labour directives for foreigners and Commonwealth citizens were merged into the same system and provided for immigration control for all categories<sup>11</sup>. In the **Work Permit Scheme**, people from the former colonies no longer had an advantage from ties with Britain (with few exceptions such as a UK born grandparent). By 1979, the Work Permit Scheme was reviewed and conditions for employment were tightened further ensuring that only the highly skilled had easy access to the UK job market.

### 3.4. The UK in the European Union

By 1990 the UK economy was booming and a shortage of workers — skilled and unskilled prompted the introduction of a two tiered Work Permit Scheme. Managed by the UK Department of Education and Employment, civil servants at **Work Permits (UK)** worked closely with employers to facilitate the application process for recruitment of foreign workers. This process worked well for the employers who in many cases already had identified workers ready to begin. At this time, they were permitted to grant extensions and process in-country applications without the need to involve the Immigration Department in the process<sup>12</sup>. The positive trend continued into 2000 when global competitiveness and talk of the need for replacement migration to counter the UK's ageing population rose to the top of the political agenda. The 2002 White Paper on *Secure Borders, Safe Haven*, introduced the concept of "managed migration" as a stated goal of the Home Office and opened the door for labour migration options<sup>13</sup>. Although the proposals raised in the White Paper were not reflected in the **2002 Nationality and Immigration Act**, its objectives were translated into directives governing implementation of labour migration schemes. At this time, the UK introduced the **Highly Skilled Migrant Program** which offered a permanent settlement option. Eligibility was assessed by allocating "points," which foreshadowed the **Points Based System** based on the Australian model currently in place.

In 2002, the UK introduced the **Seasonal Agricultural Workers Scheme (SAWS)** for full-time students — mainly from the EU Accession States — as well as the **Working Holidaymakers Scheme** to attract temporary labour migration to the UK. In May 2003, the **Sector Based Scheme** was extended beyond the professional categories to encompass food processing (mainly meat, fish and mushroom picking industries), hospitality and catering. However, by November the same year, Entry Clearance Requirements were introduced for Work Permit holders staying in the UK for more than six months. This move could be linked to the surge in applications seeking to make use of the sector based scheme (particularly the Bangladeshi Diaspora had made use of this scheme for their catering businesses). Furthermore, prior to 1st May, 2004 and the expansion of the EU, the SAWS was a target for irregular labour migration such as Brazilian workers posing as Portuguese to get work in that sector<sup>14</sup>. As part of the White Paper on *Selective Admissions*, quotas were reduced taking into account the new EU accession states<sup>15</sup>.

---

<sup>9</sup> Ibid, p. 371.

<sup>10</sup> Britain's first attempt to join the EU in 1963 was blocked by France.

<sup>11</sup> The UK Home Office, "The Immigration Acts" <<http://ukba.homeoffice.gov.uk/sitecontent/documents/policy-andlaw/nationalityinstructions/nisec2gensec/immigrationacts?view=Binary>>, accessed October 20, 2008.

<sup>12</sup> Clayton, Op Cit. (p. 373).

<sup>13</sup> The Independent UK, July 21, 2000 <<http://www.independent.co.uk/news/uk/this-britain/new-open-door-policy-for-skilled-immigrants-706929.html>> accessed November 21, 2008.

<sup>14</sup> Telephone Interview with Association of Labour Providers, November 3, 2008.

<sup>15</sup> A8: Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovakia, Slovenia; A2: Bulgaria and Romania.

### 3.5. EU Enlargement and the need for better managed migration

EU enlargement changed the demographics of the available labour force and eight of the ten new Accession States were able to access the UK market provided they registered under the **Workers Registration Scheme**. In fact, the UK was one of few countries that did not impose restrictions for work on the first A8 new member states. As was expected, Agriculture and Fishing absorbed most, but still it only represented a small portion of available work since a quota of 16,250 was set and subsequently reduced.

By April 2004, in a consultation paper entitled, *Selective Admission: Making Migration Work for Britain*, the Government called for a top-to-bottom review of the managed migration routes as part of a strategy to up-skill the UK and maintain its competitiveness in the global market. Overall promoting the need for migration, the report highlighted the fact that migrants to the UK are better qualified than the local population and that, *“Migrants fill important jobs. Rather than competing with the resident population for jobs, they expand sectors and create opportunities”*,<sup>16</sup> At the same time, the report introduced the need to manage migration in the context of integration and an overhaul of the patchwork of migration legislation was needed. During this time there was increasing concern about “asylum shoppers” who exploited Britain’s generous migration system. In the cover text, the then Minister for Immigration, Mr. D. Blunkett wrote:

*“An important test for the redesign is that it should simplify the system. The current arrangements are complex and have developed over time. The system needs to be simplified so that the general public can understand clearly the basis on which migrants are admitted and why; so that employers and applicants find it swift, unbureaucratic and good value for money; and decision-makers find it straightforward to administer. The key tests for the system are that it should be operable, robust, objective, flexible, cost effective, transparent, usable and compatible with EU and international legislation”*.<sup>17</sup>

Mr. Blunkett’s comments reflect a political trend in Britain over the past decade to simplify procedures. We find the same language in reports ranging from immigration, citizenship, the structure of the skills councils to the concept of managed migration. The 80 different labour migration schemes offered a plethora of choices for both migrant and employer and confusion often ensued, contributing to a general lack of clarity about the migration system.

As part of the consultation process, evidence of abuse of the system had been uncovered e.g.: of 1,200 unaccredited colleges, one third did not provide education at all as they were immigration scams. The same White Paper also introduced the idea of having a one-stop-shop for labour migration, pointing out the inherent weaknesses in a system whereby work permits were issued by one body, Work Permits (UK) and entry could be denied by another (UK Borders and Immigration) because of false representation either of identity or qualifications<sup>18</sup>. A new, fully integrated system should replace all previous legislation and directives to simplify procedures for employers to make “migration work for Britain”. Ultimately, the consultation process would lead to tighter immigration controls — both for the migrants and employers.

Following on from that, in 2005 the White Paper, *Controlling our Borders: Making Migration Work for Britain, Five Year Strategy for Migration and Asylum* the Government mapped out Britain’s new strategy for migration governance which addressed the four pillars of: citizenship, immigration, border control and labour migration.

In 2006, the new Points Based System was presented, which introduced five categories of migrants. It incorporated and modified existing schemes, while covering the full range of labour migration options to the UK. The details of the **Points Based System** and the establishment of the **Migration Advisory Committee**, an independent, non-governmental body responsible for managing it, will be elaborated in the following sections.

---

<sup>16</sup> The UK Home Office, *White Paper: Selective Admission: Making Migration Work for Britain* (2004), para 3.4.

<sup>17</sup> Ibid (1.4).

<sup>18</sup> Ibid (4.11).

## 4. Redesigning Labour Migration to the UK

### 4.1. The Points Based System

Labour migration to the UK has been high over the past decade — much as a result of the government's interest in recruiting migrants that bolstered the UK's booming economy. Changes to liberal migration policy were foreshadowed before the 2008 economic downturn by putting forward a strategy for selective migration requiring potential applicants to earn sufficient points to qualify for entry. Prior to settling on the PBS, the UK had commissioned a comprehensive and comparative review of the Australian, Canadian, New Zealand and USA system of migration management. As a result, former Home Secretary Charles Clarke in March 2006 introduced the points-based system as, “the most significant change to managed migration in the last 40 years”.<sup>19</sup> The guiding paradigm for the UK's future policy was to see that any form of labour migration would be based on whether the applicant had the **skills** necessary to benefit the UK, whether that occupation was in **shortage** and whether migration was a **sensible** alternative to training the local population.

In a presentation in 2007 to the MAC Stakeholder Forum, the Chair of the Migration Advisory Committee explained the thinking behind the methodology of the new system:

- The “Skill” element is defined by at least five indicators: pay; percentage of the workforce in that sector qualified to NVQ3<sup>20</sup> plus the Standard Occupational Classification (SOC 2000) which the UK uses as a basis for job classification; innate ability; and, training and experience required.
- “Shortage” is analysed using a number of indicators including: pay changes in that occupation (employers will offer more pay if the position is hard to fill); return to qualification; vacancy duration; and change in employment.
- “Sensible” has been defined as the balance of short term needs for labour versus the time needed to upskill the existing workforce<sup>21</sup>.

#### 4.1.1. The five tiers of the PBS

The PBS was introduced as a means of increasing transparency and simplifying the recruitment process. In shaping the system, key stakeholders were consulted. Feedback from employers showed that they generally had found “the work permits system to be well run and frequently (had) good relationships with staff in Work Permits (UK) which they appreciate”, but that the application process was bureaucratic and cumbersome — further compounded by frustration when a successful applicant ended up being denied entry at the last minute by immigration controls<sup>22</sup>. The PBS aims to simplify procedures and tighten control of migration to ensure that only those migrants with skills to benefit the UK would be eligible to work. The new framework embraces five Tiers:

**Tier 1:** Highly skilled individuals to contribute to growth and productivity.

This category will not be required to do a Resident Labour Market Test (RLMT) if their earnings are above GBP 40,000 annually. Job offers are not required. Entrepreneurs, investors

---

<sup>19</sup> A Points-Based System: Making Migration Work for Britain, Cm6741, foreword.

<sup>20</sup> National Vocational Qualification — **NVQs** are awarded to students who provide evidence of competence in one of 11 occupational areas. NVQs are based on national occupational standards and do not have to be taken within a specific length of time.

<sup>21</sup> Minutes from MAC Stakeholder Forum, May 9, 2008 <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/forummay08.pdf>>

<sup>22</sup> Home Office, A Points-Based System: Making Migration Work for Britain; CM 6741, March 2006.



and persons carrying out post-study work are eligible under this category. English language skills and assured maintenance is obligatory.

**Tier 2:** Skilled workers with a job offer to fill gaps in UK labour force.

If an applicant is applying for a job on the shortage occupation list, there is no requirement to pass the RLMT because the job is already a shortage. Furthermore, there is no need to meet the 20 point requirement for earnings and qualifications — an advantage that speaks particularly for low paid chefs and care givers, who traditionally fall below the GBP 20,000 cut off point for earnings. On the other end of the scale, e.g.: the Engineering sector lobbies hard to get their occupations put on the shortage occupation list because, they argue, it gives them a competitive advantage to be able to make job offers immediately without having to go through the red tape.

**Tier 3:** Limited numbers of low skilled workers needed to fill specific temporary labour shortages. This will only be available for countries that have an effective returns arrangement with the UK and for temporary labour shortages. The UK plans to phase out non-EEA low-skilled immigration with the expectation that the new EU member states would fill this demand.

**Tier 4:** Students who have received an offer from an educational institution. The student remains tied to that institution for the duration of his/her studies.

**Tier 5:** Youth mobility and temporary workers: people allowed to work in the UK for a limited period of time to satisfy primarily non-economic objectives.

All applicants will need to gather sufficient points to qualify under each Tier. The points are based on age, qualifications, language ability and earning power. All Tiers below 1 will also be required to have a registered sponsor — a UK employer or educational institution, prior to their application. As a measure of burden-sharing between the State and private sector, the sponsors will be expected to participate in monitoring the application of the PBS and comply with limited surveillance of their employees.

The main differences between this and the previous Work Permit Scheme which the PBS replaces is the concept of points. Primarily, the PBS acts as an incentive for employers to bring in skilled labour that can contribute to the growth of the economy. To qualify for a work permit, the applicant requires 70 points broken down as follows; 10 pts for English Language Qualifications, 10 pts for earning potential, 30 pts for the RLMT (a position must be advertised for two weeks within the EU), 20 pts for academic qualifications (National Vocational Qualification level 3 requirement). The applicant does not have to possess the qualifications at the NVQ3 level, but the job must be classified at that level and pay more than GBP 20,000 annually. English language ability and a minimum of GBP 800 in the bank three months prior to accepting the offer is mandatory for all categories. Points awarded under Tier 2 are outlined below<sup>23</sup>:

**Table 1.** Points under Tier 2

Section	Certificate of Sponsorship		Qualification (or equivalents)		Prospective earnings (£)	
A (50 points needed)	Offer of job in shortage occupation	50	No qualification	0	17,000–19,999	5
	Offer of job that passes the RLMT	30	NVQ level 3	5	20,000–21,999	10
	Intra-company transfer	30	Bachelors or Masters	10	22,000–23,999	15
			PhD	15	24,000+	20
B	Maintenance requirement (mandatory)					10
C	Competence in English (mandatory)					10

Notes: Prospective earnings are before tax, and can be adjusted periodically to reflect inflation and/or labour market requirements. Allowances will be taken into consideration in calculation of salary.

Source: UKBA (2008c).

<sup>23</sup> Migration Advisory Committee (MAC), “Skilled, Shortage, Sensible: the recommended shortage occupation lists for the UK and Scotland”, (September 2008) available at <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreport2008>>, p. 64.



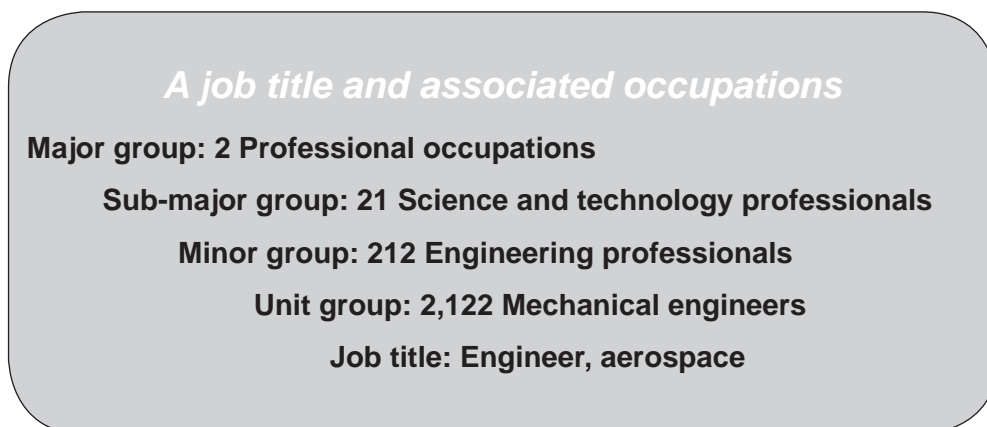
### 4.1.2. National Vocational Qualifications

The UK uses a system whereby occupations (vocational) are classified at certain levels that reflect academic qualifications, years of experience and inherent ability, based on the competence level required for the job. NVQs are divided into five levels with the lowest, NVQ1 used for low-skilled work, which is largely routine — to NVQ5 which defines work that requires a significant degree of independent thinking, autonomy and significant responsibility for others. For the PBS Shortage List NVQ level 3 has been set as a minimum. This level encompasses both graduate and vocational qualifications. There has been lobbying from some sectors, particularly in the area of social care to drop the NVQ requirement to level 2 since many migrants will not be earning a salary that will take them to NVQ3 — alternatively, the job will not have the NVQ3 qualification. A central authority reviews the comparability of international qualifications with the UK NVQ list<sup>24</sup>.

### 4.1.3. Standard classification of occupations

When trying to identify shortages in various occupations, it is necessary to define categories of occupation. The MAC works with the Standard Occupational Classification 2000 (SOC2000) which breaks the labour market into 353 occupations and in some cases, specific jobs within these occupations. The level of skill is divided into four categories based on the time and level of effort required to attain that level. A low-skilled occupation category presumes a general education; the second level also requires a period of training; the third level is for occupations that require a certain amount of knowledge, but not necessarily at degree level; and the fourth concerns the “professional” occupations and management positions that require a degree or equivalent level of work experience. The occupations are classified according to a four-digit code which identifies the skill level, the sector, the occupation within the sector and the specific unit within that sector. Sometimes the category is too broad for the Shortage Occupation List and requires further definition. An example is the shortage list qualification identified for “Managers in construction” under SOC2000 code 1122, but ONLY those with specific titles; project manager for property development and construction are listed as shortage occupations<sup>25</sup>. The UK is currently harmonizing its 4 digit SOC codes with the ILO’s international occupational classification — a process due to be completed by 2010.

**Figure 1**



Source: MAC Report 2008.

<sup>24</sup> Potential migrants and the general public can access the website at: <[http://www.uknrp.org.uk/pages/Services\\_for\\_Individuals\\_Seeking\\_Employment/individualsIntQuals.asp](http://www.uknrp.org.uk/pages/Services_for_Individuals_Seeking_Employment/individualsIntQuals.asp)>

<sup>25</sup> MAC Ibid (p. 192).

#### 4.1.4. *The employer as a monitor of immigration compliance*

The employer's role has also shifted. As the sponsor he also has monitoring responsibilities and obligations to the UKBA. An employer must first register with the UKBA in order to qualify as a sponsor and must agree to the terms and conditions of sponsorship. The position advertised must be skilled to NVQ level 3 and the salary must be reasonable — as determined by the UKBA. The position must pay at least GBP 20,000 for the migrant to qualify for entry. This will ensure that immigrant workers do not undercut employment opportunities for the local workforce<sup>26</sup>. Fines up to GBP 10,000 and penalties<sup>27</sup> will be invoked if the employer does not follow regulations and he may be struck off the list and lose the privilege of being a sponsor<sup>28</sup>. The UKBA has full authority to monitor compliance with immigration rules and the sponsor must sign a written agreement to uphold these regulations in order to qualify for sponsorship status. While businesses generally retained a pragmatic view of this new requirement, many smaller businesses and human rights groups have expressed concern about the potential dangers both to the employer and the migrant, when inexperienced people are asked to perform immigration checks without proper training in this area.

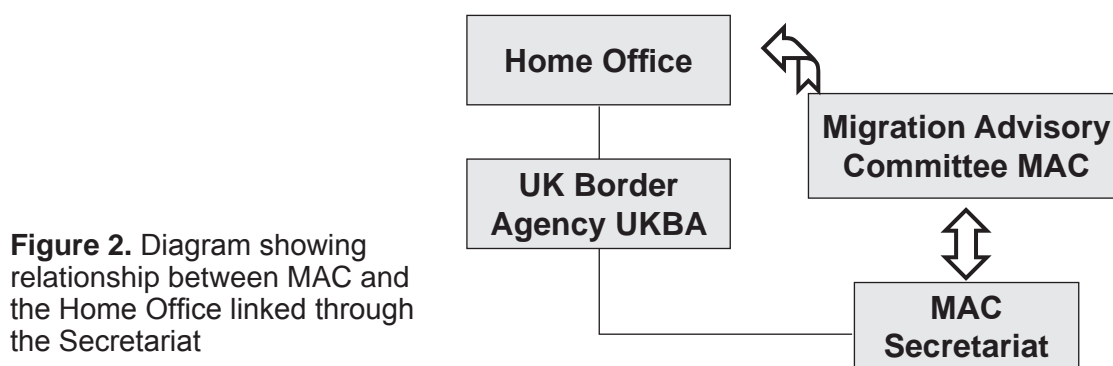
#### 4.2. The Migration Advisory Committee

As part of streamlining migration governance, in 2006 the Home Office announced the creation of a new integrated agency, known as the UK Border Agency (UKBA), under the Home Office to be responsible for all migration related issues ranging from border control, to managed migration and regulation of trade (customs and tariffs)<sup>29</sup>. It is expected that the UKBA will become a fully independent executive agency by April 2009.

Following a six month public consultation period, the Migration Advisory Committee (MAC) was created as a non-departmental, independent public body (albeit administratively linked to the UKBA through the MAC Secretariat) responsible for identifying skilled labour shortages that can be filled by immigration from outside the EEA.

The MAC provides guidance to the Minister for Immigration. It is comprised of four economists and two ex officio representatives from the UK Border Agency and the UK Commission for Employment and Skills. The MAC's daily work is overseen by a small Secretariat funded by the Home Office through the UKBA with a dedicated research budget. The MAC was structured this way in order to ensure impartial analysis of the labour market.

While the Government does not exercise direct influence over the MAC, it can suggest areas for closer study on issues related to its mandate. In turn, the MAC cannot make policy, but can put forward suggestions to the Government related to its mandate.



<sup>26</sup> MAC Ibid, p.64.

<sup>27</sup> UKBA Preventing Illegal Working advisory available on <<http://www.bia.homeoffice.gov.uk/employers/preventingillegalworking/penaltiesemployers>>

<sup>28</sup> Interview with Migration Advisory Committee Secretariat.

<sup>29</sup> "Security in a Global Hub: Establishing the UK's new border arrangements" November 2007. Web address: <[www.cabinetoffice.gov.uk/border\\_review.aspx](http://www.cabinetoffice.gov.uk/border_review.aspx)> accessed October 20, 2008.

### 4.3 Migration Advisory Committee Stakeholder and Sector Panels

The Stakeholder Panel, chaired by the Committee Chair, has been set up to provide the MAC with guidance in determining skills shortages. The panel which met for the first time on May 2nd, 2008, meets regularly and will also conduct a wider stakeholder forum twice a year or as needs arise. The panel members are representatives from:

- The Confederation of British Industry (CBI);
- The Trades Union Congress (TUC);
- The British Chambers of Commerce; and
- The National Health Service (NHS).

The Sector Advisory Panels include Key Sector Skills Councils, trade unions, professional bodies and employers covering: healthcare, education, information technology, engineering and hospitality. The SAPs are quite active and have regular contact with the MAC. They provide feedback to the MAC on a regular basis and offer a means for the MAC to get timely information from each sector and vice versa. Speaking with representatives from CBI and the TUC it is clear that both the employer and employee organizations support the MAC's approach towards labour migration — particularly the creation of the SAPs. All parties felt that simplification of the labour recruitment process from outside the EEA was necessary, as was the need for increased transparency in the system. From the TUC perspective, labour migration is supported provided it does not undercut the resident workforce and that the rights of the migrant workers were respected.

## 5. Methodology of determining the Shortage Occupation List

### 5.1. Determining the scope of labour migration

The MAC report points out that, “no single set of statistics provides the full picture of immigration: different sources are useful for different applications”<sup>30</sup>, therefore the top-down evidence is based on different data sources. In 2008, the MAC reviewed immigration data to determine the actual size of annual labour migration based on the following:

1. The International Passenger Survey which measures the numbers of people leaving and entering the UK (this survey is also the key data source for determining national statistics on emigration and immigration).
2. The Home Office which publishes information on work-permit holders and their families who are given entry clearance — divided into long term and short term labour migrants.
3. The number of foreign residents applying for National Health Insurance numbers is recorded by the Department for Work and Pensions.
4. The Labour Force Survey and the Worker Registration Scheme are also potential sources of information, but provide only incomplete data since they do not measure those leaving employment or those who are self-employed.

Taken individually, the data cannot provide the answers regarding the total number of labour migrants in the UK, so all these sources must be taken into account when trying to (a) estimate the extent of labour migration, (b) establish the total number of migrants that are likely to be in the UK for work and (c) how the UK would be impacted if these workers also were to bring family that inevitably would need to access public services such as health care or education. The MAC arrived at the annual figure of 231,000 labour migrants and discounting for UK or EEA nationals who have right of entry and work based on EU citizenship, the total number of potential labour migrants is approximately 100,000. One third of these people come from the Indian sub-continent — many to work in the IT sector. The greatest inflow of labour migrants to the UK comes from the A8 — two thirds from Poland<sup>31</sup>.

### 5.2. Top-down evidence: Twelve indicators of shortage

The MAC assesses labour shortages based on 12 indicators (narrowed down from a list of 70 possible). The key criteria used was whether an occupation could be broken down into 4-digit Standard Occupational Classification codes; whether it would be a valid measure (picking up shortages rather than just measure change); and if it was a reliable measure (whether the sample size was large enough to provide reliable estimates when broken down to the 4-digit SOC code)<sup>32</sup>.

Since the timing of reports from the National Employers Skills Survey (NESS), the Labour Force Survey (LFS), the Annual Survey of Hours and Earnings (ASHE), and Jobcentre Plus on which the indicators are based are not harmonized, the MAC complements this by utilizing evidence from employers and skills councils (bottom-up perspective). The chart below summarizes the twelve indicators selected by the MAC and the frequency of available data which is used to determine the Shortage List.

---

<sup>30</sup> MAC Op. 45.

<sup>31</sup> Interview with MAC Secretariat, 28 October, London.

<sup>32</sup> MAC Op Cit. (p. 250).

**Figure 3**

Indicator	Frequency available	Date/period used	Source used
<b>Employer-based indicators</b>			
Percentage of skill-shortage vacancies/employment by occupation	Biannually	2007	NESS and LFS
Percentage of skill-shortage vacancies/all vacancies	Biannually	2007	NESS
Percentage of skill-shortage vacancies/hard-to-fill vacancies	Biannually	2007	NESS
<b>Price-based indicators</b>			
Percentage change in median hourly pay for all employees	Annually	2006-07	ASHE
Percentage change in mean hourly pay for all employees	Annually	2006-07	ASHE
Relative premium to an occupation, given NQF3, controlling for region and age	Quarterly	2007	LFS
<b>Volume-based indicators</b>			
Percentage change in unemployed by sought occupation	Monthly	2007-08	Jobcentre Plus
Percentage change in hours worked for full-time employees	Annually	2006-07	ASHE
Percentage change in employment	Quarterly	2006-07	LFS
Absolute change in proportion of workers in occupation less than one year	Quarterly	2006-07	LFS
<b>Indicators of imbalance based on administrative data</b>			
Absolute change in median vacancy duration	Monthly	2007-08	Jobcentre Plus
Stock of vacancies/claimant count by sought occupation	Monthly	2007	Jobcentre Plus

Source: MAC Shortage Occupation List 2008

### 5.3. Explaining the indicators<sup>33</sup>

Examining the list, the MAC indicators operate on three employer-based indicators, three price-based indicators, four volume-based indicators and two indicators of imbalance.

The MAC gets the employer-based indicators from the NESS which reports on the number of skill-shortage vacancies reported for any given job; however, this data does not offer a way to see changes over time. To compensate they normalise the quantity of skills shortage vacancies by looking at the proportion of all vacancies, the proportion of hard-to-fill vacancies and a proportion of employment.

**Employment data** is captured in the LFS, but only to the 1-digit SOC code, and the MAC plans to address this weakness in the future.

**Price-based indicators** are based on a) change in median hourly pay, and b) change in mean hourly pay. To ensure a wide coverage of the labour market they looked at both full-time and part-time workers, settling on the hourly sample rather than annual wage, since that is less subject to variation. The MAC uses mean and median pay indicators to produce an overall assessment of shortages by changes in pay. Another price-based indicator is measured by the relative premium to working in a given NVQ3 occupation (after controlling for age and region of the worker) the idea being that if there were a shortage those workers would be able to negotiate higher wages.

<sup>33</sup> Op Cit. MAC (p. 115–119). The information in this section is taken directly from the MAC SOL 2008.

**Volume-based indicators** are derived from the annual percentage change in unemployment, measured by the number of people applying for any given position. The LFS alone will not suffice, which is why the MAC considers the annual percentage change in hours worked for full-time employees, which comes from the ASHE. A third indicator measures the annual percentage change in employment estimates using LFS data.

**Indicators of imbalance** are determined by the absolute change in the median time that vacancies are advertised as well as the vacancy/unemployment ratio (defined as the number of unfilled vacancies divided by the number of unemployed people in that occupation). Data on both these come from Jobcentre Plus (although claimant count is for the UK, whereas vacancy data is for Great Britain only (excluding Northern Ireland)). To complete the indicators of imbalance, the MAC uses annual changes in the relevant variable. For 2008 it was based on data points in March 2007 and 2008.

**A threshold value** for each indicator was set. For a shortage to exist, the value of the indicator must exceed that threshold. To determine that threshold, the MAC uses the median of that indicator plus 50 percent which takes into account the absolute distribution, so that an occupation must be given an absolute distance above the median for it to be considered a shortage occupation. Some of the 12 shortage indicators use median plus 50 percent of the median as a threshold and some of them use the 75<sup>th</sup> percentile as the threshold. These are calculated individually for each indicator and applied<sup>34</sup>.

Once the shortage indicators were agreed, the MAC could merge information on potential shortages obtained through top-down data with the evidence produced from the grass-roots level from employers, trades unions and skills councils.

## 5.4. Identifying shortages: Bottom-up evidence

As part of the process of developing the UK's new labour migration system, the MAC introduced its methodology in February 2008 to stakeholders<sup>35</sup>, commissioned research, held meetings throughout the UK, gathered information from 100 organizations, conducted national data surveys, formed stakeholder panels and forums<sup>36</sup>. Not willing to rely on only one source of information concerning projected shortages, the MAC developed the new PBS system by consulting with businesses on the ground as well as with academics, policy makers, trade unions and employer confederations. This combination has been a necessary part in developing the UK's response to migration governance given that there is not one, simple process available to determine labour shortages.

While top-down data is important, it was equally important to have input from employer organizations through regional visits and additional research on key sectors and jobs. Over a period of ten months, these regional consultations fed directly into the new migration framework and subsequently the labour market in its entirety has been reviewed<sup>37</sup>. Employers were asked to consider what definitions should be used to identify shortages. As an example, at a presentation in January 2008, MAC suggested:

*"One important method of identifying skill shortages is to ask employers about whether and where they exist, and their severity. An established definition that we will want to consider comes from the National Employers Skills Survey. This defines skill shortage vacancies as Hard to Fill Vacancies which result either from a low number of applicants with the required skills, or a lack of candidates with the required work experience, or a lack of candidates with*

---

<sup>34</sup> More details on the thresholds can be found in Annex B of the MAC Report <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreport2008>>

<sup>35</sup> MAC: "Methods of Investigation and next steps for the Committees first Shortage Occupation List" February 2008, see: <[http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreports/skilledlabourshortages/mac\\_methods.pdf?view=Binary](http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreports/skilledlabourshortages/mac_methods.pdf?view=Binary)>

<sup>36</sup> For more information on the introduction to the PBS visit: <<http://www.bia.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreports/skilledlabourshortages/preliminarycomments.pdf?view=Binary>>

<sup>37</sup> MAC <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreport2008>> September 2008



*the required qualifications. Hard to Fill Vacancies can simply involve such aspects as poor pay or conditions of employment, or the employer being based in a remote location”.*<sup>38</sup>

The mandate of the MAC was to produce a shortage occupation list for the UK and Scotland for Tier 2 skilled employment. The final list represents one sixth inflow of the total annual long-term immigration<sup>39</sup>. The MAC defines its stakeholders broadly; trades unions, interest groups, employer confederations, skills councils are all stakeholders and have been approached by the MAC directly or indirectly.

The consultations take place in the form of a call for evidence<sup>40</sup>, regional visits to all parts of the UK, engaging with the 25 sector skills councils<sup>41</sup>, Sector Advisory Panels, the setting up of a formal stakeholder panel and broader stakeholder forums as well as commissioning research into occupation shortages and migration across key sectors. Of the strategies listed, the call for evidence has been the most useful in reaching out to as many stakeholders as possible and getting direct feedback on which occupations should be on the shortage list — and why. Sector Advisory Panels are set up to address: health care, education, engineering, hospitality, and the IT, communications and electronics sector.

The research commissioned on the various sectors considered a common set of questions, provided information on the structure features of the labour market, migrant labour, training of the local workforce, what the employers were looking for and alternatives to labour migration.

Stakeholder comments revealed conflicting points of view regarding the use of earnings or qualifications as indicators for the skill level of an occupation<sup>42</sup>. Respondents also pointed that earnings are subject to regional variations, on-the-job training and experience should also be factored into the bottom-up evidence collected by MAC and the determination of the NVQ level should also take that into account.

## 5.5. Migration Impacts Forum

The Migration Impacts Forum (MIF) has been set up under the UKBA to bring together agencies and stakeholders that are impacted by migration. The idea of the MIF can be attributed to report released by the Economic Affairs Committee of the House of Lords which found the economic impact of migration to be small overall — a finding which goes against the general assessment of both Government and Business which argues that migration is a significant benefit to the UK economy. Partly, the disagreement can be attributed to poor quality data on immigrants in the UK<sup>43</sup>. The Group consists of representatives from the police, business, health, children’s services sectors as well as trades union, department for works and pensions and local government. The MIF has been asked to gather better evidence on immigrants’ impact on public services so that the cost of increased demand on services such as health and education can be factored into future decisions on the cost of migration to the host country — something that the MAC had not been able to take into account due to lack of adequate data. The Migration Impacts Forum also has a fund that can be used to alleviate unexpected immigration pressures through support to local authorities with high concentration of migrants in areas that have no prior experience of coping with immigration.

The chart below presents an overview of the steps taken by the MAC to ensure wide consultation and evidence-based decision-making in the determination of the Shortage List.

---

<sup>38</sup> MAC, “Preliminary Comments on Data and Methodology,” January, 2008, (p. 5), accessed November 16, 2008, <<http://www.bia.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreports/skilled-labourshortages/preliminarycomments.pdf?view=Binary>>

<sup>39</sup> Based on calculations derived from the national data sources that form the “top-down” evidence, see MAC Report, p. 26.

<sup>40</sup> MAC Op Cit. (p. 78).

<sup>41</sup> See Annex C for a full list of Sector Skills Councils.

<sup>42</sup> MAC Op. Cit. (p. 83 para. 5.35).

<sup>43</sup> MAC Ibid (p. 37).

Top-down evidence	Bottom-up evidence
Data from NESS, LFS, ASHE and Jobcentre Plus	Call for evidence issued to all Sector Skills Councils, Trades union representatives and employer organisations
Commissioned independent research across sectors	Sector Panels established by MAC to address priority areas: health, industry, social care, food processing, financial services
Research on workforce skills	Regional visits arranged by MAC to get grass-roots feedback
Research projecting future labour market needs	Consultations with businesses, trades unions, civic groups
	Setting up the Migration Impacts Forum

## 5.6. Updating the PBS

The process of extensive review will be undertaken every two years. In the meantime, smaller, more focused studies within particular sectors will be conducted twice a year. The sectors selected for focus will be determined based on perceived need, requests from the sector concerned, government or other interest groups. It is also a way of increasing MAC's flexibility in determining the Shortage Occupation List, which otherwise is heavily dependent on the biannual **National Employers Skills Survey** which provides information on UK skills deficiencies and workforce development and is used as a basis for policy development<sup>44</sup>.

The MAC is committed to giving evidence-based advice to the government on an ongoing basis and as such has requested continual feedback and communication with various sectors and has invited them to submit jobs for inclusion on the Shortage Occupation List using a standard application as part of the six-month review process. The recommendation follows a standard format, including name and details of the organisation and the proposed occupation or job title to be included on the shortage occupation list using the SOC2000 standard classification<sup>45</sup>. Additionally, the occupation or job title should satisfy the MAC criteria of **skilled, shortage and sensible** as outlined in their February 2008 report along with supporting evidence.

## 5.7. Sector papers for key areas

As part of the consultation process, studies on labour shortages were produced for seven key sectors: **construction, agriculture, health, finance, hospitality, food processing and social care**. An independent body (Centre on Migration, Policy and Society (COMPAS) University of Oxford) coordinated these papers prepared by a selection of leading UK universities. In their paper, "A Need for Migrant Labour?"<sup>46</sup> Anderson and Ruhs from COMPAS point out that the:

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

In other words, an economic framework will not be enough to determine labour market shortages, instead employer views of perceived shortages, the economic climate and society as a whole should be factored into any attempt to forecast labour market needs. For this reason, the UK's Sector Skills Councils, and the Sector Advisory Panels play an important role in providing evidence from the "bottom up", reflecting the needs of the business sector.

<sup>44</sup> Learning and Skills Council website, posted May 2008, <<http://research.lsc.gov.uk/LSC+Research/published/ness/ness2007.htm>> p. 2, accessed November 12, 2008.

<sup>45</sup> [http://www.statistics.gov.uk/methods\\_quality/ns\\_sec/downloads/SOC2000\\_Vol2\\_V6.pdf](http://www.statistics.gov.uk/methods_quality/ns_sec/downloads/SOC2000_Vol2_V6.pdf)

<sup>46</sup> Anderson, B., Ruhs, M. A Need for Migrant Labour? *The Micro-Level Determinants of Staff Shortages and Implications For a Skills Based Immigration Policy*, ESRC Centre on Migration, Policy and Society (COMPAS), July 2008 for the Migration Advisory Committee.

## 6. Consultations with Sector Skills Councils

### 6.1. What are Sector Skills Councils?

The Sector Skills Councils (SSCs) were formed in early 2000 as a way to improve workforce skills across various sectors of the UK economy. The idea of the SSCs as we know them today evolved from a series of Skills Strategy Papers produced by the Department for Education and Skills — notably the strategy paper on 21<sup>st</sup> Century Skills<sup>47</sup> which mapped out the Government's long-term strategy to ensure that employers had access to a sufficiently skilled workforce. The SSCs gradually absorbed or replaced the 50-odd national training organizations aimed at developing various labour market skills<sup>48</sup>. Currently, there are 25 SSCs<sup>49</sup> covering a range of areas from textiles to finance and IT.

They are employer-led, independent organizations that involve trade unions, professional bodies and other key stakeholders in an effort to meet wide-ranging needs to ensure that the UK remains competitive on the world market. The SSCs operate throughout the UK, but Scotland, England, Wales and Northern Ireland are responsible for the design and implementation of their own strategies. The issue of labour migration however is handled centrally and covers all of the United Kingdom.

While the SSCs speak for the industry they represent — they are responsible to the Government to meet the targets they set through their Sector Skills Agreement (SSA) under the UK Commission for Employment and Skills (UKCES)<sup>50</sup>, which is also responsible for the re-licensing of the SSCs. Each SSC is an employer-led, independent organisation that covers a specific sector across the UK. Collectively the SSCs form the Skills for Business Network, which is responsible for tackling the skills and productivity needs of the UK.

Sector Skills Agreements (SSAs) for the UK are brokered by Sector Skills Councils (SSCs) in partnership with:

- The UKCES
- Department for Education and Skills
- Department for Trade and Industry
- Welsh Assembly Government
- Scottish Executive
- Department for Employment and Learning Northern Ireland

All SSCs have the same four key goals and each SSC is responsible for dealing with the skills needs within their sector UK-wide. The four key goals are:

- Reduce skills gaps and shortages
- Improve productivity
- Increase opportunities for all individuals in the workforce
- Improve learning supply

---

<sup>47</sup> 21<sup>st</sup> Century Skills: Realizing Our Potential, Cm5810, July 2003, <<http://www.dcsf.gov.uk/skillsstrategy/uploads/documents/21st%20Century%20Skills.pdf>> accessed November 12, 2008.

<sup>48</sup> Prior to that, industrial training boards were responsible for up-skilling the workforce.

<sup>49</sup> <http://www.sscalliance.org/Sectors/SectorSkillsCouncils/SectorSkillsCouncils.asp>

<sup>50</sup> The UKCES replaced the previous Sector Skills Development Agency in April 2008.

## 6.2 Submitting evidence to the Migration Advisory Committee

In 2008, the **Alliance of Sector Skills Councils** was created to act as a liaison with Government and a conduit for information between Government and the Sector Skills Councils across the UK. Its predecessor the **Sector Skills Development Agency** and the 25 existing SSCs were invited by the MAC to submit evidence towards the development of the Shortage Occupation List.

The SSCs were consulted on the methodology proposed by MAC to determine the occupations in shortage and they were encouraged to put forward views and suggestions. Eleven of the twenty-five provided evidence of occupational shortage with additional SSCs commenting that while there may be shortages, not all met the criteria of “sensible” jobs that warranted labour migration under the PBS.

One constraint mentioned by the Alliance spokesperson is that the SSCs collect information based on sectors, not on an occupational basis, which is how the MAC classifies shortage; for example, engineering is a cross-cutting occupation and not limited to only one SSC. As a result, the information provided to the MAC is not fully coordinated in terms of occupational shortage, only in terms of sectoral shortages, although there are efforts underway to address this problem.

If the flexibility of the MAC and the PBS can be assured to meet changing needs on the ground, the advantages of the new PBS according to the Alliance are many — not least the simplification of procedures from an employer perspective. While any changes require a period of adjustment, the Alliance welcomes the opportunity for a broad, cross-sectoral consultation from the outset and the break from a process of selective consultation that had been in place under the previous Work Permit (UK) system. According to the Alliance, the PBS and the development of the Shortage Occupation List was a “rigorous, academic exercise”. The Alliance also commented on the number of indicators used to compile the evidence as “significant”, plus the two-pronged approach taking into account top-down and bottom-up evidence leaves little doubt as to the MAC’s commitment to find the best possible way of identifying legitimate shortages. The SSCs provide a grass-roots perspective to the MAC that complements the meta-level academic theory.

The Shortage List is evidence-based and from the Alliance perspective, should,

*“...result in a system that enables migrants with the right skills to be recruited to assist the employer. In this context, labour migration is a complement to the existing government policy aimed at raising the skill levels of the national workforce”.<sup>51</sup>*

The role of the SSCs in support of the nationwide strategy to upgrade the skills of the national workforce is to approve the development of national occupational standards — mainly within the vocational training sector. Through the **Sector Learning Partnerships**, the SSCs ensure that businesses are engaging with the training providers needed for their development. The strategic aim of this vision is a powerful one, which Alliance believes is shared across the board with the employers feeling that they are very much in the driving seat.

While the overall vision is shared by Government and employers, how it is implemented can be a point of contention. With the “**Train to Gain**”<sup>52</sup> program implemented by all the SSCs, the Government works with employers to subsidize certain training programs and not others. Employers tend to prefer module based skills training, while the Government prefers National Vocational Qualifications, specific sector skills or basic skills such as numeracy and literacy. Furthermore, most employers focus on school leavers, while older people, already in the industry are overlooked. The **Train to Gain Broker** works with the employer to advise them of the criteria that they can get support for, and while the future of skills-upgrading may become more flexible through the introduction of a Unique Learner Number, the Alliance and the SSCs will focus on ensuring that the Qualification and Credit Framework is consistent with that of continental Europe to ensure that UK workers are not disadvantaged through inconsistent standards of qualification.

---

<sup>51</sup> Telephone interview with David Swales, Alliance of Sector Skills Councils. November 12, 2008.

<sup>52</sup> World Class Skills, Implementing the Leitch Review of Skills in England, Cm7181, July 2007.

## 6.3. How they work: seven sectors in focus

### 6.3.1. Industry

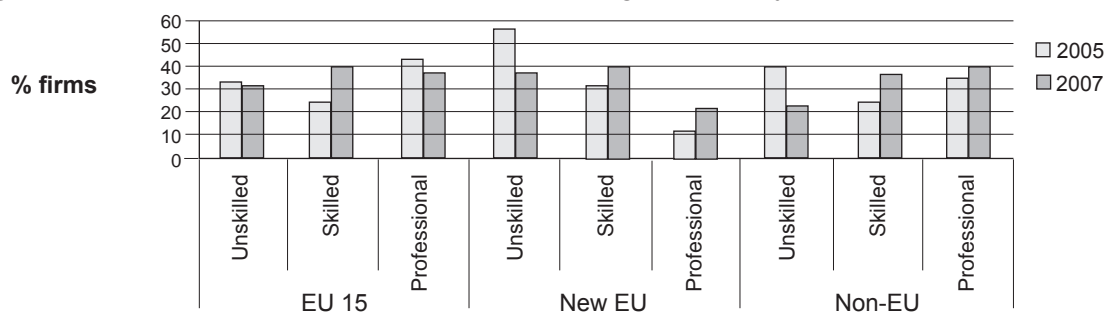
The CBI (originally the Confederation of British Industry, but now covers more than just industry) represents approximately 240,000 businesses that employ about one third of the private sector workforce of varying sizes across many sectors such as manufacturing, industry and retail. By their own account, it covers every single sector and every size of business, from sole traders to the biggest firms in the world. They also cover private and public sectors. CBI trade associations also cover every sector, and represent their members through them. The CBI works through 13 regional offices in the UK. Each of them has a regional council elected from the members and is supported by CBI staff located locally. There are also 16 standing committees of the CBI charged with supporting specific areas of policy or members. Through this structure the CBI is able to consult its members and involve them in policy formulation. They can also lobby and advocate internationally through their offices in Brussels, Washington and Beijing.

The CBI works closely with the MAC to suggest areas for further research with regards to the PBS and it also facilitates contacts between the MAC and businesses throughout the regions. Overall the membership of CBI has been supportive of the new PBS system based on the fact that the MAC's methodology of determining shortages has been sensible given the notorious difficulties of determining actual shortages in the labour market. The PBS system has retained flexibility for employers wishing to hire outside the EU provided that the RLMT has been conducted and that the conditions of employment as set out under the PBS have been met.

In CBI's submission to the House of Lords Economic Affairs Committee in 2007, responding to a call for evidence on the economic impact of migration, they raised concerns about relying too heavily on migrant labour without also taking serious steps to address the skills problem within the UK itself. "We do not believe that migration is a long-term answer to UK skills issues and we must ensure that action is taken to address shortcomings in the education and training systems"<sup>53</sup>. A survey commissioned by the CBI showed, "...78 percent of employers demand(ing) higher skills over the next decade, "but that" significant problems remain on the basic skills which provide the platform for employability" for the local workforce. The report also points to the Leitch Review of Skills which found that 17 million adults had difficulty with numeracy, and that 5 million were not functionally literate.

Given the challenges of raising the competencies of the local population, the CBI is supportive of migration that meets the needs of employers. Although only 5,970 employers to date have registered with the UKBA to become sponsors of migrants, the CBI believes that this number will increase by the end of the year as employers become more familiar with the new system<sup>54</sup>. The current economic climate in the UK may also slow demand for migrant labour, so some businesses may decide to wait.

**Figure 4.** Trends 2005–2007 across sectors for migrant employees with CBI



Percentage of firms employing migrant workers, by work force segment and immigration status (Source: CBI Employment Trends Survey)

<sup>53</sup> CBI evidence to House of Lords Economic Affairs Committee: the economic impact of migration, October 2007.

<sup>54</sup> Interview with CBI, November 20, 2008.



The PBS system is a minor cost to the employer considering that businesses have spent GBP 40 billion since 1998 to become compliant with various regulations (employer relations, parental leave, etc.), more worrying is the how the civil penalties scheme will be enforced as the new PBS is introduced. The guidelines on the PBS from the MAC were delayed and there may be costly mistakes to the employer as a result of the short lead-time before the new system was put in place.

### 6.3.2. Construction

The Construction Sector employs almost two million workers and contributes to 10 percent of the Gross Domestic Product (GDP)<sup>55</sup>. With 186,000 private contracting companies it encompasses both large (above 600 employees) and small businesses (on average 13 employees). This sector has both employed and self-employed workers who are classified under various self-employed tax schemes (47 percent) which often are subject to abuse and often involve migrants whose legal status is unclear. Construction projects are seasonal and by nature flexible. As such it employs a mobile work force — many of whom are migrants from the A8/A2 countries (estimated 10 percent) and many working “irregularly” in low-skilled occupations<sup>56</sup>.

The Sector Skills Council, **ConstructionSkills** speaks for the whole of the construction industry — skills, technical and professional services. It serves an important function in that it provides guidance to employers sector-wide as well as acting as a conduit for information back to the Government on the status of work within the sector. In their own words, “ConstructionSkills is a partnership between CITB-ConstructionSkills, the Construction Industry Council and CITB Northern Ireland that covers the whole industry, the whole of the UK, and all of the issues that the industry faces”<sup>57</sup>.

It has a five year licence to represent the sector beginning 2003. On the subject of migration, it offers guidance to employers looking for migrant labour and information on basic qualifications and health aspects that should be part of any orientation prior to employment<sup>58</sup>. **ConstructionSkills** tracks shortages and ratio of migrant labour through a combination of data from the Labour Force Survey and commissioned research. Every two years, they conduct a UK wide survey of work-force skills and mobility. The most recent survey was carried out in 2007. This consisted of a total of 255 face to face interviews with construction workers obtained across 24 sites. In total there were 10,846 workers interviewed across 292 sites visited in the UK<sup>59</sup>.

Shortages in the labour force are identified through a **regional network of skills observatories** that consult with stakeholders on issues affecting the regional labour market. The regional CSN Observatory Groups include representatives from Government, education and the construction industry, and help identify new skill needs specific to the region and local market demand.

Information from the regional CSN Observatory Groups, the biannual labour market surveys and results of the interviews is shared on a regular basis with the MAC. **ConstructionSkills** is also represented in the MAC working groups (Sector Advisory Panels and Stakeholder Forums) and have direct contact with the MAC through its secretariat.

As the paper submitted by COMPAS to the MAC outlines, “Seventy-five percent of the workforce is manual, 25 percent is non manual, and the sector is divided into at least 50 different skilled occupations and numerous professions. The paper points out that this industry must adapt in order to stay competitive, and that it is more stagnant compared to other European countries with a traditional division of labour, and often casual and informal employment. The accident and fatality rate is higher than for all industries, working hours are higher than average, and there is a widen-

---

<sup>55</sup> Ibid, <<http://www.dcsf.gov.uk/skillsstrategy/uploads/documents/World%20Class%20Skills%20FINAL.pdf>> accessed November 12, 2008.

<sup>56</sup> MAC: Preliminary comments on data and methodology, posted January 2008; <<http://www.bia.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreports/skilledlabourshortages/preliminarycomments.pdf?view=Binary>> accessed November 11, 2008.

<sup>57</sup> <http://www.constructionskills.net/aboutus/>

<sup>58</sup> <http://www.cskills.org/focus/migrantworkers.aspx>

<sup>59</sup> Interview with ConstructionSkills, November 11, 20.



ing differential between skilled workers and labourers, many of whom are migrants. The migrants are used as a “stop-gap” workforce, and ConstructionSkills estimates that approximately 10,000 workers per year could be needed to fill the gap when migrants from the A8 returned home<sup>60</sup>. More than half the employers rely on migrants for their workforce, finding them to be innovative, adept at problem-solving and able to multi-task as compared with the local population. The Sector requires that workers have a card under the Construction Skills Certification Scheme and 1.3 million have applied to date — many of them migrants<sup>61</sup>.

Migrants may also be preferred because they can be employed at lower rates, even at the minimum wage, given that the Posted Workers Directive has not yet been implemented in Britain according to the terms and conditions laid down in collective agreements. Many are required to work even longer hours than the already high industry average of 46 per week and, as self-employed, they do not receive holiday pay and other benefits. There is growing evidence of exploitation and health and safety risks for migrants, often aggravated by language problems.

In 2007, data from ConstructionSkills indicates that 8 percent or approximately 185,000 people from the construction sector consisted of migrant labour. In the UK there is large regional variation, with London and the South East being the largest net importers of construction workers — in London 22 percent are from outside the UK and Republic of Ireland. In stark contrast, Northern Ireland, North East England and Scotland have eight in ten workers in each originally from that location. In general, of the site-based migrant workforce, trades workers are predominantly from Poland (two out of five). Overall, migrants from Poland dominate the non-UK labour force on construction sites. Although results from the ConstructionSkills survey also shows a large percentage of non-EEA nationals from as far afield as New Zealand and South Africa also employed in the UK construction industry<sup>62</sup>.

The ConstructionSkills Council reports that their research mirrors the results of the Labour Force Survey — the only surprise being the presence of South Africans, and the higher portion of Australians and New Zealanders. They point out that the data covers site trades and office based professionals (Architects, Engineers and Surveyors) which regularly attract overseas professionals. ConstructionSkills points out the importance of taking into consideration the needs of the industry as a whole when talking about migrant labour — not just site-based labourers — as the proportion of migrants offering professional services is often higher than in site-based work<sup>63</sup>.

The accepted opinion is that there has been a perceptible increase in the level of migrants returning home during 2008, although at a much slower rate than they arrived. Ultimately, they are “economic migrants” and ConstructionSkills were always aware that the larger portion would return to their country of origin as the levels of work/earnings slowed in the UK and picked-up elsewhere. Although to what degree that is the case is difficult to establish due to the poor quality data on migratory flows. However, ConstructionSkills recently ran a ‘migration reversal’ scenario through their econometric model and the resultant forecast indicates that any significant outflow of non-UK workers might cause a shortage of: Roofers, Specialist Building Operatives, Glaziers, Floorers, Steel Erectors, Plant Mechanics, Wood Trades and Civil Engineering Operatives.

### *6.3.3. Hospitality and Catering:*

This sector comprises establishments and services ranging from hotels, hostels and restaurants to travel, tourism and gambling — in all fourteen different industries. It has a turnover of approximately £135 billion a year and employs approximately 1.9 million people in more than 180,000 establishments<sup>64</sup>. Restaurants, pubs and nightclubs and hotels together employ over 1.2 million.

---

<sup>60</sup> Ibid.

<sup>61</sup> Chan, P. et al, “Staff Shortages and Immigration in Construction”, June 2, 2008, for the MAC, see: <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/chanclarkedainty2008>>

<sup>62</sup> See Annex 3 for a breakdown of nationalities engaged in the UK Construction Sector.

<sup>63</sup> Information from Construction Skills.

<sup>64</sup> People 1st website accessed November 1, 2008 <<http://www.people1st.co.uk/webfiles/Pdfs/Research/Key%20facts%20and%20figures%20sheet.pdf>>

As part of the call for evidence to the Migration Advisory Committee and the development of the Points-Based System, **People 1<sup>st</sup>** (the Sector Skills Council for the Hospitality, Leisure, Travel and Tourism industries), and the British Hospitality Association (BHA) produced research confirming that 89 percent of catering establishments would be adversely affected by the new immigration laws to withdraw work permits from non-European workers. As a result of the collaboration between these two organizations, the Migration Advisory Committee agreed to recognize skilled chefs as a shortage occupation<sup>65</sup>.

People 1<sup>st</sup> has worked with the MAC to overcome initial difficulties with regard to the information that the sector could reasonably provide and the information the MAC needed to inform the development of the shortage occupation list. The clear guidelines provided by the MAC has facilitated the process. MAC's willingness to be transparent and open about their methodology contributed towards a greater sense of partnership between the agencies and overall the experience with MAC has been more positive than under the previous system run through the Home Office. An additional feature of the MAC has been the appointment of economists to liaise with the industry. With both parties speaking the "same language" and ability to share and understand labour market data, People 1<sup>st</sup> feels that they have had more opportunity to influence the process. Previously, the Home Office officials would be rotated outside the department on a regular basis, with a loss of institutional memory as a result, "Every time we managed to get our point across, the officials changed", says the People 1<sup>st</sup> spokesperson, "with the MAC, we are hoping for more sustainability in that structure".

People 1<sup>st</sup> has regular communication with MAC and while MAC has been demanding of employers, the fact that everyone has a shared understanding of the objective of the system has resulted in a good collaboration. People 1<sup>st</sup> conducted quantitative and qualitative research to guide the MAC's work.

There are concerns about flexibility within this system and also the degree of autonomy the MAC actually has to manage and oversee the system without being influenced by the politics of the day and unrealistic demands being placed on the MAC to produce updated data on skill shortages every six months. Furthermore, despite the effort that has gone into creating the Shortage Occupation List, and the five Tiers, only 10 associations have registered to become sponsor for migrants outside the EEA<sup>66</sup>. One reason for this may be the risk to larger companies that they would be penalized retroactively if they are found not to be in compliance with migration regulations. To reduce that risk, some companies are applying for sponsorship status separately for their different businesses. Overall, employers would prefer to see a relaxation of rules concerning labour recruitment — for the customer-oriented sector, there is clear data on foreign workers being more service oriented and better qualified than locals. However, overall, the current system is an improvement on earlier attempts to regulate labour recruitment.

In terms of identifying skills shortages, one of the cornerstones of this process is the development of national standards for occupations. The national standard occupation list is also used as a baseline for efforts to upgrade the skills of the workforce.

#### 6.3.4. Health Sector

The National Health Service employs 70 percent of the sector's workforce (approximately 1.3 million people which makes the NHS the biggest employer in Europe) and therefore plays a key role on the MAC's *Stakeholder Panel*.<sup>67</sup> The sector paper on health points to, "...little evidence to suggest that employers in the sector have a *positive* preference for migrant workers".<sup>68</sup> The main

---

<sup>65</sup> <http://people1st.co.uk/news-and-views/news/people-1st-and-bha-welcome-the-addition-of-skilled-chefs-to-uk-shortage-occupation-list>

<sup>66</sup> Interview with People 1<sup>st</sup>, November 11, 2008.

<sup>67</sup> Interview with NHS representative, November 18, 2008.

<sup>68</sup> Rosemary Lucas and Steve Mansfield, Manchester Metropolitan University, "STAFF SHORTAGES AND IMMIGRATION IN THE HOSPITALITY SECTOR" for the MAC, (P. 6) <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/lucasandmansfield2008>>

concern has been to address shortages. Migrants have mainly been employed in the less popular specialties and locations within the health profession while in medicine, care of elderly, accident and emergency and psychiatry have been viewed as lower status specialties and have held the highest number of non-EEA qualified doctors. The reasons for this are a) high turn-over for high stress occupations, b) absence of home-grown talent, c) jobs in geographically difficult locations.

Generally there has been a lack of recognition of previous skills and experience — a common experience among nurses. At the same time the many health professionals have emigrated from the UK, suggesting a poor working environment or planning. This sector is interdependent on other health professional categories and anything that happens here will impact elsewhere.

The PBS originally attracted criticism from BAPIO because of fears that the new system will limit opportunities for medical professionals from outside the EEA area<sup>69</sup>. The NHS believes these fears to be largely unfounded and has put up extensive information on routes of entry to health sector employers and employees to facilitate the application process for non-EEA national that meet the requirements of the UK's PBS system.

The evidence provided to the MAC during 2007–2008 on shortage occupations within this sector was poorly structured and did not provide a satisfactory account for shortage occupations. This is partly due to the fact that not all evidence is on hand and the NHS has to review its methods of data collection — something that requires structural and organizational adjustments. This will take place under a new body created specifically to work on welfare issues. In the pipeline for some time before the MAC, it will be known as, “The Centre of Excellence”, it will subsume the Skills for Health Council, the Department of Workforce Planning and Workforce Review Team as well as the NHS Recruitment Human Resources Section. With closer collaboration and harmonization of timing, standardized indicators and data collection, the NHS believes it will be better placed to liaise effectively with the MAC in future discussion concerning the Shortage List.

With regard to migration, the NHS employs an “ethical code of recruitment”, which obliges the NHS to NOT recruit health professionals from countries that need their own workforce. The NHS is working with the EU to have this become an internationally standard code of practise to mitigate migration flows and brain drain from already disadvantaged nations.

### **6.3.5. Social Care**

Since the contracting out of social care services in the 1990s the workforce has shifted from public sector employment to either being self-employed or working for a private contractor. More changes are foreseen in this sector as plans are underway to introduce direct payments or personal budgets so that the people who need social care effectively will become the employers.

High job turn-over as a result of high stress and the type of work are key reasons for the employment of migrant workers. Twenty eight percent of councils use international recruitment for social workers in children's services and 21 percent use it to recruit for other social work posts<sup>70</sup>. Migrant workers are estimated to constitute over 10 percent of the workforce. The gendered nature of care work and its low status mean that care work has always attracted higher proportions of migrant workers than some other sectors. It has attracted people from Commonwealth countries, the Irish Republic, and the Philippines since the 1960s. Generally, migrant women work as carers, cleaners or in hospitality. The sector paper also points out the possible push-pull factors operating within this area caused by the gendered patterning and constant vacancies.

**Recruitment and Employment Confederation (REC)** represents many members within this, and other low-skilled sectors. While the organization as such does not qualify to act as a sponsor (they only offer temporary employment), their members will be affected by the new PBS. With es-

---

<sup>69</sup> Times of India, April 30, 2008, [http://timesofindia.indiatimes.com/Indian\\_doctors\\_win\\_work\\_status\\_case\\_in\\_UK/articleshow/2999473.cms](http://timesofindia.indiatimes.com/Indian_doctors_win_work_status_case_in_UK/articleshow/2999473.cms)

<sup>70</sup> Moriarty, J. et al., “Staff Shortages and Immigration in the Social Care Sector,” June 2008 for the MAC; <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/moriarty2008>>

established ties to the Home Office Employer Task Force, the REC worked with them and the MAC to raise several areas of concern relating to the design of the PBS. REC felt that the MAC did not take onboard concerns related to recruitment within the social care sector which requires a great deal of human interaction and would benefit from a labour force that shared cultural affinity with those they work with. REC believes the UK's ties to the Indian Sub-Continent, Malaysia and parts of Africa should be factored into the Tier system, and that the idea of simply replacing this group of people with Romanian, Bulgarian or other EEA nationals simply does not reflect an accurate understanding of the labour market on the ground.

Overall, REC is supportive of the concept of the PBS as a means to simplify and regulate a plethora of immigration avenues for work in the UK; they are less influenced by political rhetoric regarding the present drive to restrict migration since historically speaking the UK has been more open than many countries within the EU.

The National Health Service, which is also represented on the MAC Stakeholder Panel, has lobbied hard to have sponsorship for Tier 2 category skilled migrants as well as for Tier 5 and the time limited study option for non-EEA doctors. The MAC has not been satisfied with the quality of the evidence put forward by the NHS to date, but given the importance of this sector, some categories of health care professionals have been included on the skilled list as well as shortage occupation list.

### 6.3.6. *The Finance Services Sector*<sup>71</sup>

The financial services sector has been one of the largest in the UK economy. In 2005, the sector employed 1.1 million people and produced net exports valued at £19 billion. It is the largest contributor sector to the balance of payments and the fastest growing sector of the economy. The financial services sector is quite broad and covers a range of sub-sectors: Credit and Finance; Insurance and Risk; Financial Advice; Banks and Building Societies; Business to Business Services, and; Business Support. Research for the MAC focused on the first four sub-sectors. Financial services and other sectors have been reliant on migrant workers.

*"Many businesses are reliant on migrant workers because increasingly large numbers of British people do not have either the right skills or aptitude for work. Without the steady flow of migrant labour into the UK most businesses would be struggling to expand or fill vacancies".*<sup>72</sup>

Prior to the A2 accession, the British Chambers of Commerce (BCC) conducted a survey among its 100,000 members to document employer attitudes towards migration and to understand the main reasons for employing migrant labour. Interestingly only 5.9 percent gave low wages as a reason for employing migrants. Instead 23 percent pointed to a better work ethic among migrants, 25.6 percent said that the local workforce did not possess the necessary skills and 19.6 percent said that they could not find people locally who had enough experience. The highest concentration of migrant workers is in the skilled migrant category, but migrants were represented in all aspects of the workforce.

The **Financial Skills Sector Council** reports that considerable research is on-going that can feed into the evidence requested by the MAC to identify shortage occupations and they provided background for the first call for evidence in 2008. The Financial Skills Council conducts regular surveys of its membership based on the SOC2000 codes in order to present a more coherent picture of this sector. Generally, they are bound by the 5 year Sector Skills Agreement, which is an industry-government plan that maps out the skills needed in the sector and how they will be achieved. Charting a course for action over time, the Financial Skills works with members and government to coordinate and provide training as agreed.

---

<sup>71</sup> Jones, A., "Staff Shortages and Immigration in the Financial Services Sector" prepared for the MA, June 2008; <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/jones2008>>

<sup>72</sup> BCC policy website <<http://www.britishchambers.org.uk/6798219243000048568/value-of-migration-to-economy-as-a-whole-has-been-substantial.html>> accessed November 14, 2008.

### 6.3.7. *The Food Processing Sector*

Food processing is one of the sectors that fall within the remit of the Gangmasters Licensing Authority (GLA). The Gangmasters (Licensing) Act was introduced in 2004 to curb exploitative and fraudulent activities by so-called gangmasters supplying labour to agriculture, horticulture, shellfish and related produce packing and processing sectors. The Gangmasters Licensing Authority (GLA) is responsible for the implementation of the Act via its operation of the Gangmaster Licensing Scheme. The GLA's specific sectoral remit is linked essentially to sectors that fall under the remit of the Department for Environment, Food and Rural Affairs (DEFRA). The entire recruitment sector is regulated by the Employment Agencies Act (1973) while the Gangmaster (Licensing) Act 2004 applies only to the specific sectors listed above.

This sector is characterized by temporary work based on seasonal variation with low appeal to British nationals. As a result, this sector has a high representation of migrant labour. The sector has been notoriously difficult to regulate since it encompasses many employers who provide workers with poor and sometimes dangerous conditions<sup>73</sup>.

### 6.3.8. *The Agricultural Sector*

Farming in the UK accounts for GBP 5.8 billion towards the UK economy and takes up three quarters of the land area employing 500,000 people<sup>74</sup>. While this sector comprises a number of different labour markets, the Department for Environment, Food and Rural Affairs (DEFRA) divides it into four constituent parts for statistical purposes: cereals, arable, horticulture and potatoes, and livestock.

The agricultural sector is labour intensive, requiring considerable manual labour particularly in the case of production horticulture (growing fruit, vegetables etc.). The main concern of employers in this sector is finding workers. The NESS identified 46.8 percent of vacancies in this sector as "hard to fill," which places Agriculture second only to that of Construction in terms of finding workers. It is a low-skilled, low status industry and so does not attract British nationals despite having the highest legal agricultural minimum wage in the world and it is higher than the rest of the UK economy. 86.4 percent of peak season workers are migrants<sup>75</sup>. Shortages also exist within the higher skilled roles: Farm Managers passed 45 percent of the MAC shortage indicators — yet was not placed onto the shortage occupation list. In an effort to boost agriculture as a career alternative, a diploma in environmental and land-based studies will be launched in 2009 which will lift the image of the sector. Given the considerable growth in demand for organic food, the sector is likely to expand, but only if there is an available workforce. Lantra heard reports from members who had to plough crops back into the field due to lack of field workers<sup>76</sup>.

The National Farmers Union (NFU) has actively campaigned for an increase in the size of the existing SAWS scheme which allows for Bulgarian and Romanian seasonal workers in the agricultural sector. The NFU is also lobbying for workers outside the EU in order to meet their needs. MAC has recommended that the current quota is kept but that the scheme should be extended beyond 2,010 with a higher threshold.

---

<sup>73</sup> BBC, February 6, 2004, "Tide Kills 18 Cockle Pickers" <<http://news.bbc.co.uk/1/hi/england/lancashire/3464203.stm>>

<sup>74</sup> Source: DEFRA <<http://www.defra.gov.uk/farm/index.htm>> accessed January 14, 2008.

<sup>75</sup> MAC Report December 2008 <[http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/working-withus/mac/macreports/macreport1208/mac\\_dec08?view=Binary](http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/working-withus/mac/macreports/macreport1208/mac_dec08?view=Binary)>

<sup>76</sup> Information from Lantra, January 2009.



## 7. Constraints

The PBS is designed to manage labour migration flows to the UK based on the UK's need for non-EEA labour. The PBS does not attempt to deal with irregular labour migration and it does not in fact provide any opportunities for low-skilled labour from outside the EEA. Without legal recourse to work, there is a risk that clandestine immigrants will be faced with less choice and will become more subject to exploitation. Even migrants legally entitled to seek work in the UK may face discrimination by employers who are not au fait with current immigration policy and therefore as a matter of principle would avoid hiring a refugee or asylum seeker even with proper documentation. There are case studies reported by the Migrants Rights Network that illustrate this point<sup>77</sup>.

Tier 2 has been the main focus of this report and there are concerns with some of the restrictions imposed on the migrant. The TUC raises the point that migrants are tied to their employer for the duration of their employment, which is in breach of international labour agreements. Furthermore, if the migrant is dismissed then they could be summarily deported and the migrant has no further recourse which illustrates the imbalance of power inherent in this system. Additionally, the requirement for the migrant to be self-supporting (GBP 800 in a bank account) is an invitation for abuse since impoverished migrants may be able to borrow from prospective employers, who later can exploit this by putting the migrant in a situation of debt-bondage.

The **Federation of Small Businesses (FSB)** has been more cautious regarding the PBS, questioning the need to have such a cumbersome process when the total number of migrants amount to only 100,000 per year and the RSOL even less. Many of the small and medium sized businesses (SMEs) have not been willing to engage with the MAC. They are also particularly wary of the Civil Penalties scheme that has been launched in tandem with the PBS in an attempt to crack down on undocumented migrant workers. In the past, small businesses have taken advantage of workers coming to the UK on various schemes ranging from the Japanese Backpackers to the Jewish Worker Scheme without going through the process of registering or recruiting from outside the UK. There are fears among the small business employers that the PBS will dry up the market, although the economic downturn may offset any reduction in available workers.

The main criticism is the degree of human resource procedures involved in the sponsorship application process. While larger businesses have an HR department, small business owners generally wear that hat also. Their feeling is that the system has not been well thought through from the perspective of small businesses, particularly when there is empirical proof that small businesses are the ones that tend to recruit low-skilled, unemployed people, and train them on the job. According to the FSB, the PBS is not flexible enough for the small business sector which is very different from the other sectors represented on the advisory panels or stakeholder panels. As a result, it will be very difficult for SMEs to comply with the new regulations in the short-term.

---

<sup>77</sup> MRN Migration Perspectives Paper, "Papers Please: the impact of the civil penalty regime on the employment rights of migrants in the UK", November 2008.



## 8. Conclusion

The PBS structure relies on regular monitoring and flexibility to accommodate market needs — this is particularly relevant for the Tier 2 Shortage List. But the structure requires considerable human resources, both on the side of government as well as industry due to the degree of consultation. In all, the PBS will affect only 100,000 potential migrants to the UK. In fact the total number of jobs included in the PBS represents 50 percent of the occupations, but only covers 5–10 percent of the total workforce<sup>78</sup>. The cost-benefit for the PBS does not necessarily make sense unless understood in a wider context of the UK's vision for a workforce with world class skills by 2020.

<b>World Class Skills by 2020</b>		
<b>MAC</b>	<b>UKBA</b>	<b>Sector Skills Councils</b>
Points Based System to promote only skilled migration to the UK	Tightened immigration controls aimed at restricting low-skilled labour	Government-Employer agreements based on Leitch Review of Skills
Shortage occupations flexible and determined by need. Other avenues for migration open, but criteria must be met.	Civil Penalties Scheme with on-the-spot fines for employers in breach of immigration rules	Sector Skills Agreements with 25 SSCs to raise qualifications of employees
	Employers as informal immigration agents.	Consultations with Stakeholders — employers, employee organizations to ensure benchmarks are met

The current Points-Based System for managing labour migration launched in 2008 is one of three main pillars designed to position the UK as a leader in the world economy. The PBS aims to promote selective migration to meet UK labour market needs. The PBS works in tandem with the UK Border Agency which is responsible for licensing those organizations eligible to sponsor migrant workers. The new labour migration system is supported by strict enforcement of rules including compliance visits (spot-checks) at workplaces. Employers are expected to act as informal immigration officials by checking the status of their employees as well as monitoring their attendance at work and reporting any irregularities to the Home Office. The final pillar in the scheme is the policy to up-skill the UK workforce which involves close collaboration with Sector Skills Councils and their membership organizations covering employers in twenty-five sectors across the UK. Some programs to promote a better skilled workforce are supported by Government subsidies others are paid for by the employers themselves.

The role of the SSCs and their regional observatories is integral to the UK's bottom — up approach to assessing labour market shortages. Without having access to these SSCs, the Government would not be able to liaise effectively with the sector and any form of interaction with individual entities would rapidly render attempts at coordination obsolete due to the sheer size of the sectors.

Stakeholder Advisory Panels set up to facilitate collaboration between social partners have been enthusiastically received by all sides. Employers, employees, the MAC and public sector agencies have initiated a successful partnership to facilitate information exchange. Representatives

<sup>78</sup> Op Cit, Interview with MAC Secretariat.

to each of the Stakeholder Panels have been designated and they attend on a regular basis. It is important that the same delegates are present each time. Without that, discussions would falter and momentum would be lost. Additionally, having time set aside for each of the delegates as part of their work ensures that the task is given due consideration.

The use of standard classification has been key in developing a common understanding of the job categories. The SOC2000 classifies job titles and therefore is a common baseline for discussions between employers, unions and government. Without that standard, the job list would be open to subjective interpretation.

While the PBS has not been as enthusiastically embraced by all, the open consultation process pursued by the MAC has contributed to an enhanced degree of trust between the government and stakeholder. Not all feel that the MAC has taken note of their concerns, but none dispute the MAC's efforts towards transparency.

In sum, the key ingredients that have enabled the UK's labour migration strategy are as follows: a clear vision of the objective (that by 2020, the UK will have world class skills); a clear methodology communicated to all stakeholders across all sectors and regions of the UK; a common set of standards (SOC2000) that can be used to classify and identify skilled and shortage occupations; a set of structures (the SSCs, the SAPs) that can support the MAC and communicate the vision and strategy to its members nationally, regionally and locally; and finally, the setting up of the MAC and its Secretariat as an independent, expert body, capable of engaging directly with labour economists representing employer and employee interests.

# Bibliography

1. Clayton, G. *Textbook on Immigration and Asylum Law*. 3<sup>rd</sup> Edition, (Oxford: Oxford University Press 2008).
2. Castles, S. & M. Miller, *The Age of Migration* 3<sup>rd</sup> Edition (Basingstoke: Palgrave Macmillan 2003).
3. Department for Innovation, Universities and Skills, "World Class Skills: Implementing the Leitch Review of Skills in England", <<http://www.dius.gov.uk/publications/worldclassskills.pdf>> posted July 2007 >
4. CBI evidence to House of Lords Economic Affairs Committee: the economic impact of migration, October 2007.
5. Geddes, A., Sheffield University, "Staff Shortages and Immigration in Food Processing," June, 2008 for MAC <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/geddes2008>>
6. Migration Advisory Committee, "*Skilled, Shortage, Sensible: the recommended shortage occupation lists for the UK and Scotland*", (September 2008) available at <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreport2008>>
7. List of Immigration Acts from the Home Office: <<http://ukba.homeoffice.gov.uk/sitecontent/documents/policyandlaw/nationalityinstructions/nisec2gensec/immigrationacts?view=Binary>>
8. The Independent UK, posted July 21, 2000 <<http://www.independent.co.uk/news/uk/this-britain/new-open-door-policy-for-skilled-immigrants-706929.html>>
9. Minutes from MAC Stakeholder Forum Friday 9 May, 2008 <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/forummay08.pdf>>
10. MAC: Preliminary Comments on Data and Methodology, January, 2008, <<http://www.bia.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreports/skilledlabourshortages/preliminarycomments.pdf?view=Binary>>
11. Moriarty, J. et al. "Staff Shortages and Immigration in the Social Care Sector", June 2008 for the MAC: <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/moriarty2008>>
12. Learning Skills Council Website, National Employers Skills Survey 2007, <<http://research.lsc.gov.uk/LSC+Research/published/ness/ness2007.htm>>
13. Financial Services Skills Council report 2007; Skills Review: UK Wholesale Financial Services: <[http://www.fssc.org.uk/skills\\_review\\_uk\\_wholesale\\_financial\\_services.pdf](http://www.fssc.org.uk/skills_review_uk_wholesale_financial_services.pdf)>
14. HM Treasury, "Prosperity for All in the Global Economy: World Class Skills", December 2006, available as PDF: <[http://www.hm-treasury.gov.uk/d/leitch\\_finalreport051206.pdf](http://www.hm-treasury.gov.uk/d/leitch_finalreport051206.pdf)>; or via <[http://www.hm-treasury.gov.uk/leitch\\_review\\_index.htm](http://www.hm-treasury.gov.uk/leitch_review_index.htm)>
15. Qualifications and Curriculum Authority (for definition of vocational qualifications levels): <[http://www.qca.org.uk/14-19/qualifications/index\\_nvqs.htm](http://www.qca.org.uk/14-19/qualifications/index_nvqs.htm)>
16. UKBA Civil Penalties List available as a PDF on: <<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/employersandsponsors/preventingillegalworking/currentguidanceandcodes/civilpenaltiescode2008.pdf?view=Binary>>
17. Department for Environment, Food and Rural Affairs (DEFRA) <<http://www.defra.gov.uk/farm/index.htm>>
18. MAC Report, December 2008 <[http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreports/macreport1208/mac\\_dec08?view=Binary](http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/macreports/macreport1208/mac_dec08?view=Binary)>

## Annex A: Organisations Consulted/Interviewed

Alliance	Alliance of Sector Skills Councils — see Lantra below
ALP	Association of Labour Providers, telephone interview with David Camp, Director, November 3, 2008
BAPIO	British Association of Physicians of Indian Origin
CBI	Confederation of British Industry, telephone interview with Jim Bligh, Policy Advisor, November 20, 2008
ConstructionSkills	Sector Skills Council for the Construction Industry in the UK, email exchange with Lee Bryer, Research and Development Manager, November 6–10, 2008
Financial Services	The Sector Skills Council for Financial Services, accountancy and finance, telephone interview with Federico Cellurale, Researcher, November 18, 2008
FSB	Federation of Small Businesses UK, telephone interview with Lynsey Groom, Policy Officer, 13 November, 2008
Lantra	Sector Skills Council for the Environmental and Land-Based Sector; telephone interview with David Swales, Research Manager speaking on behalf of the Alliance, 3 November, 2008
MAC	Migration Advisory Committee, interview with Mark Franks, Head of Secretariat, 28 October, 2008, London
MIF	Migration Impacts Forum, telephone interview with Jim Bligh, Policy Advisor, CBI Representative to MIF, November 20, 2008
MRN	Migrants Rights Network, interview with Ruth Grove-White, Policy Officer, October 30, 2008, London
NHS	National Health Service, Interview with Ali Enayati, November 19, 2008
People1st	Sector Skills Council for Hospitality, Leisure, Travel and Tourism, telephone interview with Martin-Christian Kent, Research and Policy Director, 11 November, 2008
REC	Recruitment and Employment Confederation, telephone interview with Anne Fairweather, Head of Public Policy, November 14, 2008
TUC	Trades Union Congress, telephone interview with Sean Bamford, Policy Officer, November 19, 2008
UCATT	Union of Construction, Allied Trades and Technicians
UKBA	UK Border Agency, telephone interview with Ragnar Clifford

## Annex B: Sector Skills Reports

Financial Services SSC: [http://www.fssc.org.uk/skills\\_review\\_uk\\_wholesale\\_financial\\_services.pdf](http://www.fssc.org.uk/skills_review_uk_wholesale_financial_services.pdf)

Health Sector: Rosemary Lucas and Steve Mansfield, Manchester Metropolitan University, “STAFF SHORTAGES AND IMMIGRATION IN THE HOSPITALITY SECTOR” for the MAC <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/lucasandmansfield2008>

Construction: Chan P., et al, “Staff shortages and immigration in construction”, for the MAC <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/chancarkedainty2008>

## Annex C: List of Sector Skills Councils in UK

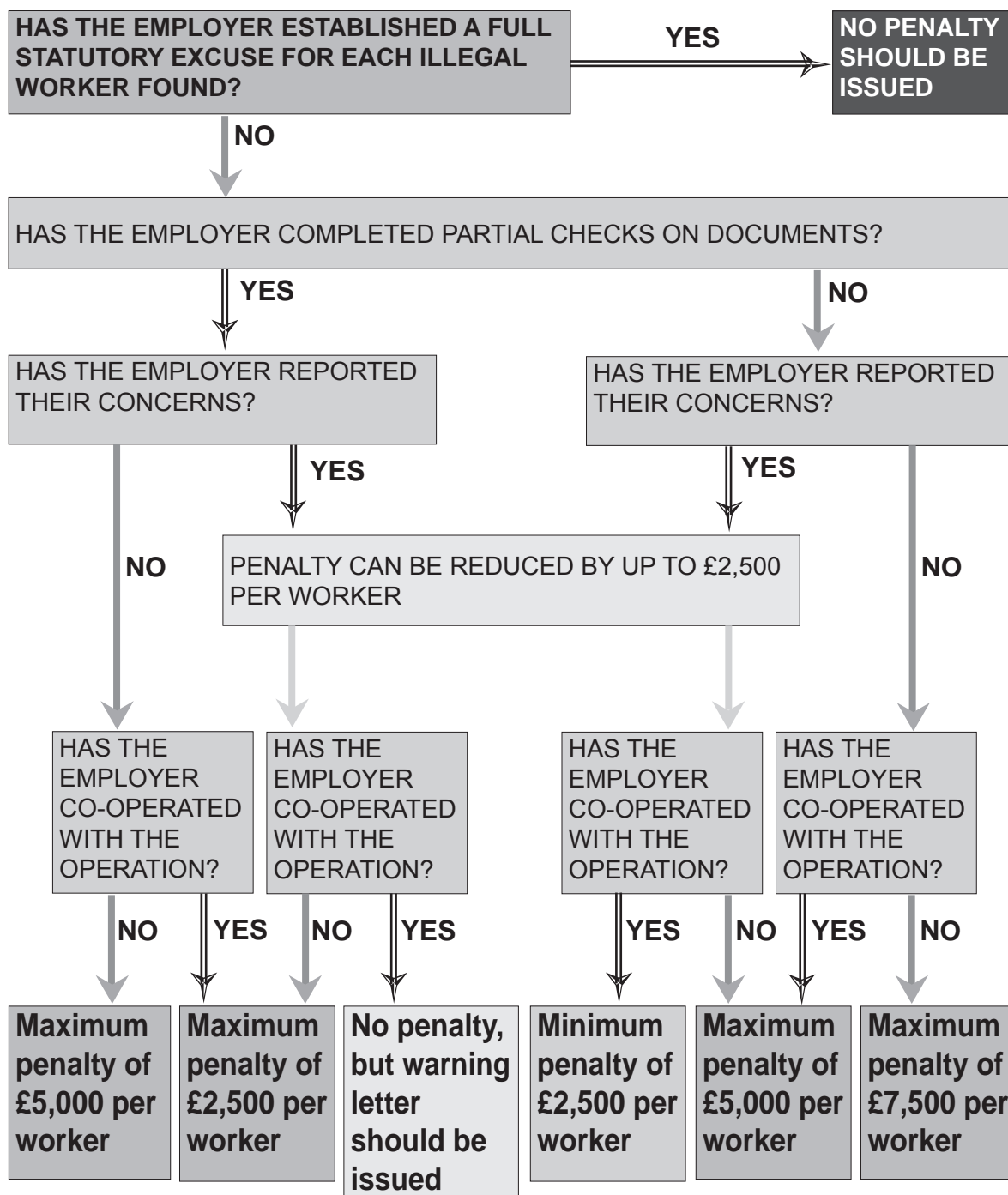
<b>Asset Skills</b>	Property, Housing Facilities Management, Housing, Cleaning and Car Parking industries
<b>Cogent</b>	Chemicals and Pharmaceuticals, Oil and Gas, Nuclear, Petroleum and Polymer industries
<b>ConstructionSkills</b>	Every part of the Construction industry
<b>Creative &amp; Cultural Skills</b>	Advertising, Crafts, Cultural Heritage, Design, Music, Performing, Literary and Visual Arts
<b>E-skills UK</b>	IT & Telecoms industries and lead body for Contact Centres
<b>Energy &amp; Utility Skills</b>	Electricity, Gas, Waste Management and Water industries
<b>Financial Services Skills Council</b>	Financial Services industry
<b>GoSkills</b>	Passenger Transport industries
<b>Government Skills</b>	Central Government, all civil service departments and agencies, unaffiliated non-departmental government bodies and Armed Forces
<b>IMI</b>	Automotive Retail industries
<b>Improve Ltd.</b>	Food and Drink Manufacturing and Processing
<b>Lantra</b>	Land Management and Production, Animal Health and Welfare and Environmental industries
<b>Lifelong Learning UK</b>	Community Learning and Development, Further Education, Higher Education, Libraries, Archives and Information Services and Work Based Learning.
<b>People 1st</b>	Contract Food Service Providers, Events, Gambling, Holiday Parks, Hospitality Services, Hostels, Hotels, Membership Clubs, Pubs, Bars and Nightclubs, Restaurants, Self-Catering Accommodation, Tourist Services, Travel Services and Visitor Attractions
<b>Proskills</b>	Building Products, Coatings, Extractives, Glass and Print industries
<b>Semta</b>	Science, Engineering & Manufacturing Technologies: Aerospace, Automotive, Bioscience, Electrical, Electronics, Maintenance, Marine, Mathematics, Mechanical, Metals and Engineered Metal Products industries
<b>Skillfast-UK</b>	Fashion and textiles: design, manufacturing and servicing of clothing, footwear and textile fabrics
<b>SkillsActive</b>	Active Leisure and Learning Industry: Sport and Fitness, Outdoors and Adventure, Playwork, Camping and Caravanning
<b>Skills for Care and Development</b>	Social Care
<b>Skillset</b>	Creative Media: TV, Film, Radio, Publishing, Interactive Media, Computer Games, Animation, Photo Imaging and Facilities
<b>Skills for Health</b>	Health and Healthcare
<b>Skills for Justice</b>	Justice Sector
<b>Skills for Logistics</b>	Freight Logistics industries
<b>Skillsmart Retail</b>	Retail sector
<b>SummitSkills</b>	Building Services Engineering: Electro-technical, Heating, Ventilating, Air Conditioning, Refrigeration and Plumbing industries

## Annex D: Descriptive Chart

### Prevention of Illegal Working: Immigration, Nationality and Asylum Act 2006 (Civil Penalties for Employers) available on:

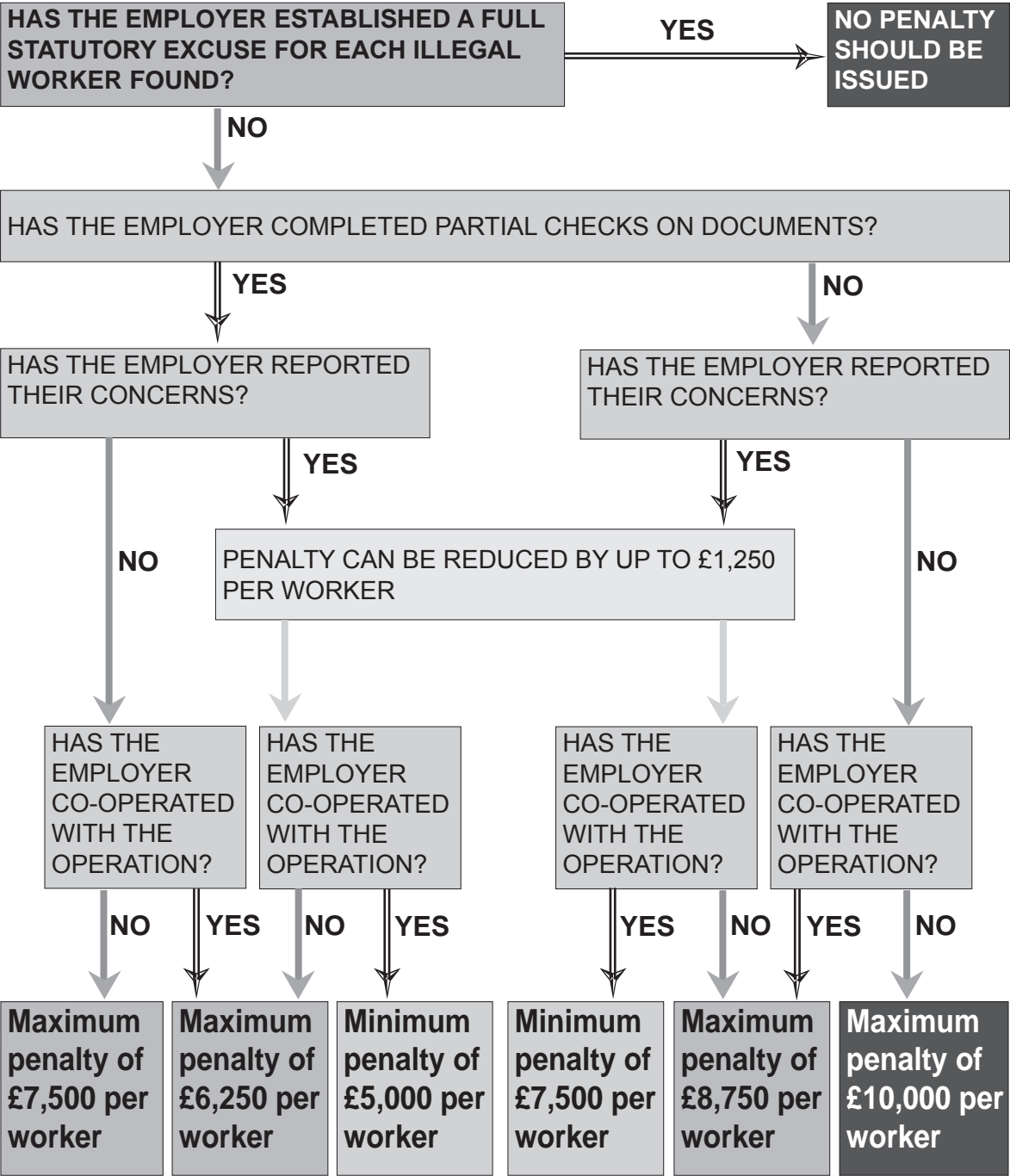
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/employersandsponsors/preventing-illegal-working/currentguidanceandcodes/civilpenaltiescode2008.pdf?view=Binary>

#### First visit to employer





**First visit to employer**



## Annex E: People of non-UK origin working in UK construction (SIC45), entered UK in past five years

Poland	21%
South Africa	10%
Lithuania	8%
Australia	6%
India	6%
New Zealand	5%
Romania	5%
Bulgaria	3%
Italy	2%
Zimbabwe	2%
Former Yugoslavia	2%
Republic of Ireland	1%
France	1%
Germany	1%
Portugal	1%
Latvia	1%
Hungary	1%
United States	1%
Brazil	1%
Slovak Republic	1%
Kenya	1%
Other Africa	1%
Russia	1%
Nigeria	1%
Turkey	1%
Czech Republic	1%
Former USSR	1%
Jamaica	1%
Albania	1%
Philippines	1%
Spain	1%
the Netherlands	1%
Iran	1%
Sweden	1%
Ukraine	1%
Trinidad & Tobago	1%
Belgium	1%
Ghana	1%

Source: Office for National  
Statistics, Labour Force  
Survey (2007)

