



COMMENTARY

Imposing Caps, Filling Gaps or Charging Tax: How Should We Control Labour Immigration?

PUBLISHED: 05/04/2011



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This week (Wednesday 6 April 2011) sees the introduction of the UK's new permanent cap on labour immigration from outside the EU – a policy that is contentious, to say the least. One section of the media treats it as a common-sense approach to the increasing immigration that has vexed the majority of British people for at least a decade. The other half views it variously as a quixotic attempt to control the uncontrollable, a cynical PR ploy designed to win votes or an attack on businesses at a time when they need all the help they can get.

>> Read our briefing on [“UK Public Opinion toward Immigration: Overall Attitudes and Level of Concern”](#)

But while the debate about whether we should or shouldn't have a cap rages on, few are addressing the key question – what else could the government do to effectively regulate labour immigration?

>> Watch our policy primer interview with Martin Ruhs on [“Controlling Labour Immigration: Caps and Alternatives”](#)

There are at least three different approaches to regulating the admission of migrant workers, but essentially, they deal with two key questions:

- How many migrant workers should be admitted?
- How should migrants be selected?

The first approach is to think about regulating labour migration from a primarily economic perspective. This means choosing selection criteria to maximise the benefits and minimise the costs to the nation of the employment of new migrant workers, but without aiming for a particular number of migrants. This was the approach taken by Labour when it introduced the Points Based System (PBS) in 2008. It was designed to control the quality rather than the quantity of migrants, through selection based on skills, pay, shortage occupation lists and job offers in the UK.

>> Read our policy primer on [“Responding to Employers: Labour Shortages and Immigration Policy”](#)

Many economists support selective labour immigration policies like this, which admit migrants based on their skills and in response to the (contested) “needs” of the domestic labour market. But while selection criteria can be adjusted to increase or reduce immigration, admissions systems that are based on selection alone can't guarantee a particular scale of immigration – which may then give rise to a public perception that the numbers are “out of control”.

This is exactly what happened under Labour. When labour immigration increased significantly, David Blunkett famously declared on Newsnight that “there is no obvious limit” to the number of migrants. The Conservatives responded that a “points based system without a cap is pointless”, and while the Coalition government is continuing to use the PBS to select migrant workers it has also added the cap to set an upper limit.

But this second approach – adding a numerical limit to selection criteria – introduces a challenge of its own: there is no one “optimal” number of migrant workers that should be admitted every year. Economic and social research has a lot to offer for advising on how to optimise selection, but it can't help identify an optimal number of migrants, partly because many of the impacts of immigration are difficult or impossible to measure with the available data.

So setting a limit on labour immigration can be something of a finger-in-the-air operation. None of the limits in other nations' labour immigration programmes are based on systematic impact analyses. Instead, they tend to be derived from political debates and considerations. In the UK, the cap on labour immigration from outside the EU is aimed at helping reduce overall net-migration to the “tens of thousands” (so, presumably, an upper limit of 99,999) but the reason for this particular aim has not been explained in any detail.

But the Labour and Conservative approaches to controlling labour migration aren't the only ones. The third approach involves a price mechanism rather than numerical limits. For example, Singapore charges employers a variable "foreign-worker levy" for each migrant they employ. The levels of these fees are based on the proportion of migrants in a company's workforce (with higher charges for companies with high shares of migrants), the skill level required to do the job (with higher charges for employing low skilled workers) and the sector they are working in. Essentially, these fees are like taxes aimed at influencing employers' recruitment decisions. The key challenge with this approach is to identify and justify the right level of fees and to make sure that employers do not deduct the fees from migrant workers' wages.

So, there are numerous ways of limiting labour immigration – many of which can be combined to create variations aimed at meeting a country's particular circumstances or agenda, and all of the approaches involve different types of challenges. So has the coalition found the right balance?

If opinion polls are correct, it certainly appears that a substantial proportion of British people seem to broadly support the cap at the moment, but there has also been substantial opposition from universities and businesses, which feel that it may damage their competitiveness and have successfully pushed for major exemptions (e.g. intra—company transfers).

>> Read our policy primer on ["Public Opinion and Public Policy: Complexities of the Democratic Mandate"](#)

With the UK's permanent cap on skilled labour immigration from outside the EU becoming effective in April 2011, it is too early to say what its impacts will be. The level of public support for the cap may well come from a sense that "something is being done" about an issue that people care about. But only a very small proportion of immigrants will be affected by the cap, and until the new system has been operating for some time and people have begun to see impacts – either in terms of changes to immigration inflows, or in the impacts on businesses, the labour market and the economy – it is unclear whether and for how long this support will continue.



The Migration Observatory

Based at the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford, the Migration Observatory provides independent, authoritative, evidence-based analysis of data on migration and migrants in the UK, to inform media, public and policy debates, and to generate high quality research on international migration and public policy issues. The Observatory's analysis involves experts from a wide range of disciplines and departments at the University of Oxford.



COMPAS

The Migration Observatory is based at the ESRC Centre on Migration, Policy and Society (COMPAS) at the University of Oxford. The mission of COMPAS is to conduct high quality research in order to develop theory and knowledge, inform policy-making and public debate, and engage users of research within the field of migration.

www.compas.ox.ac.uk

Press contact

Rob McNeil

Senior Media Analyst

robert.mcneil@compas.ox.ac.uk

+ 44 (0)1865 274568

+ 44 (0)7500 970081

