

A need for migrant labour?
UK-US Comparisons
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Introduction

Foreign-born workers are five to 15 percent of the labor force in most industrial countries. The number of temporary workers is increasing faster than the number of immigrants invited to settle in both newcomers to immigration, such as Britain, Ireland and Spain, and in traditional immigration countries such as Australia, Canada, and the US. Rapid growth in temporary foreign workers raises questions about whether foreign-born workers are “needed” and their effects on local workers in the short- and long-terms.

Britain, the most populous country to open border gates wider for migrant workers in recent years, established a Migration Advisory Committee to provide advice on the 3 S’s—is there a shortage of labor in particular occupations, do workers in them require skills, and are migrant workers a “sensible” part of the solution to identified shortages. The independent MAC provides advice to the government on these 3-S questions, creating a potential model for other countries that are considering how to respond to employer requests for additional temporary foreign workers.

This paper reviews the reasons that governments open side doors to migrant workers who not expected to settle and lays out guidelines for thinking about how to regulate their entry and employment. There is rarely an open debate over the trade offs between the conflicting goals inherent in temporary foreign worker programs that admit foreign workers who are tied to particular employers and/or sectors. For example, which should get higher priority--providing care to

the maximum number of elderly and disabled residents in their homes with limited funds or ensuring high wages and benefits for care givers? A review of particular British labor markets employing or requesting migrants highlights the importance of obtaining and reviewing both top-down and bottom-up data on labor supply and demand and considering the alternatives to opening side doors to migrants.

Labor Market Changes

Labor markets in industrial countries have changed in the past half century in several major ways. The locus of employment has shifted from agricultural and manufacturing to services, fewer workers have lifetime jobs with one employer, and a higher share of jobs are part-time or non-traditional in other ways, as with workers who are employed by a temp firm rather than the owner of the work place where they work. One result is an increased variance in wages, benefits, and job security between workers doing similar jobs (OECD, 2008).

The supply of labor in industrial countries has changed to include more married women with children working for wages, later labor force entry for youth due to less child labor and more post-secondary education, and earlier retirement associated with better pensions. The operation of the labor market has changed as well. The share of especially private sector workers represented by unions has decreased, more workers are brought to workplaces by intermediaries such as temp agencies, and profits have risen in most industrial countries at the expense of wages as a share of economic output.

These changes in labor demand, supply, and labor market operation are expected to persist, albeit with variation across countries. However, the economic changes associated with globalization should accelerate the shift toward workers having more employers in the course of their working lives, women becoming half or more of wage workers, and complex processes yielding layered labor markets with several entities or layers between workers and the beneficiaries of their work.

There are significant uncertainties about the evolution of labor demand, supply, and labor market operation, including the usual age of retirement and the share of new workers who were born in other countries. Will most workers continue to retire in their early 60s and rely on public and private resources for another 20 to 25 years, or will more work longer so that retirement remains close to the current average of 15 to 20 years despite increased longevity?¹ Will newcomers from abroad, who now represent five to 15 percent of workers in most industrial countries and a far higher share of net additions to the work force, continue to expand their role in industrial country labor markets?

Factors ranging from new technologies, changing trade patterns, and shifting individual preferences shape labor markets, as do migration policies. Migrants

¹ In the US, the average age at retirement dropped from 70 in 1940 to 65 in 1970 and 62 in 2000, The average number of years in retirement was 10 in 1940, 13 in 1970, and 18 in 2000 (Aron, 1999).

tend to be concentrated in particular occupations and industries, so migration policy has a major influence on labor demand, supply, and labor market operation in particular sectors of industrial economies. In a world of demographic and economic inequalities that give some employers incentives to hire workers from poorer countries, and individuals incentives to cross borders for higher wages, migration policy may become one of the most important factors shaping the structure and functioning of labor markets in industrial countries (Martin, Abella and Kuptsch, 2005).

In 2005, there were about three billion workers in the global labor force, including 20 percent or 600 million in what the International Labor Organization calls more-developed countries.² The labor force of the more-developed countries is expected to remain stable over the next decade, while the labor force in less-developed countries is projected to expand by 600 million between 2005 and 2020. In other words, the projected *growth* in the size of the less-developed countries' labor force equals the current size of the more-developed countries' labor force. Employers in the UK, as in other industrial countries, recruit workers in both industrial and developing countries.

Some employers in industrial countries want to hire more workers from developing countries, and many workers in developing countries are eager to migrate abroad for higher wages. The questions facing governments include how many developing country workers to admit, from where, and in what status to admit them. Most governments grappling with these questions are responding by permitting more employers who complain of labor shortages to hire more workers from developing countries, raising questions that range from the criteria employers must satisfy before they receive permission to employ migrants to the importance of examining labor shortage complaints in a comprehensive way rather than focusing only on jobs and workers at a point in time.

The UK government has been among the most aggressive in opening doors to migrant workers. Immigration was not a significant issue in the 1997 election campaign that brought the Labor Party back into power; the major migration issue under the outgoing Conservative government was the perception that many of the applicants for asylum were economic migrants (Spencer, 2007, 341-2). After 2001, Home Office leaders began to speak of immigration as economically beneficial for the UK, softening the previous control mentality of the Home Office (Spencer, 2007, 348-50).

Beginning in the late 1990s, the British government increased opportunities for highly skilled non-EU foreigners to work in the UK. However, the major change in policy came in May 2004, when the UK was one of three EU-15 countries to allow so-called A8 nationals, citizens of the eight central European countries that joined the EU on May 1, 2004, to enter relatively freely to work. Ireland and Sweden were the other two EU-15 countries that adopted similar policies. Relatively few migrants moved to Sweden, in part because collective bargaining agreements required that migrants be paid the same wages as Swedish workers.

² ILO <http://laborsta.ilo.org/>, accessed June 25, 2009

With even traditional migrant sectors largely unionized, Swedish employers found fewer cost advantages in hiring migrants as did British and Irish employers.

Labor Markets and Migrants

Labor markets match workers and jobs, enabling individuals to convert their major asset, their own time, into wages. Work is the exchange of effort for reward, and the labor market is place where employers seeking workers and workers seeking jobs are matched.

Employers make three key employment-related decisions that shape labor markets. The first is recruitment, the process of attracting desired workers to fill jobs. Second is remuneration or motivation, getting employed workers to perform their jobs satisfactorily. Third is retention or keeping desired workers and improving their productivity over time. The availability of foreign or migrant workers can affect each of these “3 R” labor market parameters.

Recruitment is a costly process because employers lack complete information about workers who apply to fill vacancies and workers lack information about the job offers they are likely to receive. This lack of information is one reason why industrial country governments maintain no-fee exchanges where employers can register their job vacancies and workers can search for jobs. Employment exchanges play relatively larger roles matching workers and jobs at the bottom rather than the top of the labor market, in part because both employers and workers usually invest less in job matching for lower wage bottom-rung jobs.

Policies that make migrants available may change recruitment strategies. Most public employment exchanges serve primarily local employers and workers, that is, persons inside the country and usually in the area in which the job is located. Most governments require employers to post vacant jobs at these employment exchanges and to interview any local workers who respond before the employer receives permission to recruit workers abroad. However, since most employers have identified the foreign workers they want to hire before posting their job vacancy, their “reward” for failed recruitment of local workers is permission to hire the foreign workers they preferred in the first place. For this reason, policies that aim to “protect” local workers by requiring employers to try to recruit local workers are rarely successful in affording effective protection to local workers (Martin, 2007).

Remuneration or motivation encourages workers to perform their jobs. Most workers are paid for the time they work on a per hour, week, or month basis. A variety of mechanisms have evolved to monitor and assess the performance of workers, so that those who do not perform effectively can be warned and eventually terminated.

Since monitoring and firing workers can be costly, employers have an incentive to invest sufficient resources in recruitment to find workers who will perform

satisfactorily. However, at the bottom of the labor market where there is less investment in recruitment and screening it may be very hard to assess workers outside the country who not speak the language of the employer.

There are several employer responses to this inability-to-assess dilemma, including bilingual intermediaries and piece-rate pay or pay-for-performance wage systems. Bilingual intermediaries often assume responsibility for recruiting and screening workers and often supervise them on the job. These intermediaries, often settled migrants from the same country as the migrants, know both the job and the qualities of their countrymen and are ideally positioned to recruit and screen at relatively low cost to the employer.

A second response is a piece-rate pay system. Paying for performance allows employers to know the cost of getting work done without carefully screening workers. For example, with piece-rate wages, the cost of picking 10 bins of apples at \$20 a bin is \$200 whether the apples are picked by one fast worker or two slower workers, but worker pay varies. Piece rate workers must usually earn at least the minimum wage, and the combination of a government-set minimum wage and an employer-set piece rate automatically establishes a minimum productivity standard that workers must satisfy to keep their jobs (Martin, 2009, 74-5).

Migrants tend to be more productive than local workers who fill jobs in the bottom rungs of the labor market. Local workers applying for farm, construction, and care jobs often have personal characteristics that prevent them from holding higher wage jobs, including lack of education and skills, mental and drug or alcohol problems, and motivation issues. Migrants whose frame of reference is the lower wages at home are often described as the “professionals” of low-wage labor markets while abroad, and are far more productive in such jobs because they have a different frame of reference, seeing the wages offered as very high compared to wages at home and often not bothered by the low status of the jobs they are filling (Piore, 1980).

The third R is retention. Workers typically learn skills on the job, increasing their value to the employer. Most employers devise strategies to identify and keep their most productive workers by, for example, increasing wages and benefits with seniority. The increased productivity of workers who learn job-specific skills often offsets some of these higher labor costs.

In many low-wage jobs, productivity may not rise significantly with experience, and could in some cases fall, as with fruit-picking jobs in which younger workers tend to be more productive than older workers. For such jobs, employers have an incentive to find replacements for workers who move on to better jobs and whose productivity falls over time. Young migrants are often ideal in the eyes of employers, especially if they can achieve the required productivity standard quickly.

In most labor markets, the 3 Rs of recruitment, remuneration, and retention evolve in ways that favor more employer investment in screening workers who

will be paid ever higher wages to perform their jobs better over time. However, in some jobs, typically those on the bottom rungs of the job ladder, some employers favor the recruitment of migrants via intermediaries and networks, piece rate or other pay systems that make labor costs predictable, and replacement with fresh recruits from abroad. These employers are most often found in particular sectors, including agriculture and related food processing, residential construction, and in services ranging from back-room hotel and restaurant jobs to care giving.

Key Features of TMPs

Temporary migration programs (TMPs) aim to add foreign workers to the labor force but not necessarily settled residents to the population. These programs, often called guest worker or temporary foreign worker programs to emphasize that the migrant is not expected to settle, are found in all industrial countries. TMPs can seem to be the ideal solution for governments caught between competing interests, including employers requesting migrants, migrants eager for higher wages, and public opinion that wants migration reduced.

Certification and Monitoring

There are three key administrative elements of TMPs in migrant-receiving countries: what criteria must employers satisfy to receive permission to recruit and employ migrants; how is migrant employment monitored and how do governments ensure that migrant workers depart as scheduled. These issues may obscure an even more important issue—how are employer preferences, local workers' attitudes, and the operation of labor markets affected by the presence of migrants over time?

Most governments use a certification process to determine whether employers can recruit foreign workers to fill low-skill jobs. Certification means that the employer tries and fails to find local workers (citizens and legal immigrants) despite the active recruitment of local workers while offering wages and working conditions approved by the Department of Labor. Employers post jobs at local employment exchanges, interview workers who respond, and record the reasons why local workers were not hired. In most cases, employers requesting certification to hire 100 migrants seek 100 local workers, and have their request for migrants reduced on a one-for-one basis for each local worker hired.

The alternative to certification, government checking of employer recruitment efforts, is attestation, a trust-the-employer approach. Attestation allows the employers to attest or assert that they have satisfied recruitment regulations, leading to almost automatic approval to recruit and employ foreign workers. In the US, for example, internet-based attestation under the H-1B TMP usually occurs in seconds; enforcement responds to complaints. Most employers prefer attestation to certification.

Certification becomes contentious when local workers respond to employer recruitment efforts but are not hired. If these rejected local workers complain that the employer preferred migrants, government agencies are often not well

equipped to review employer decisions on who is best qualified to fill a particular job. Few employers reveal their preferences for migrants as openly as recruiter Global Horizons president Mordechai Orian, who testified during a July 2007 trial that Thai migrants were preferred to local workers because "they work really hard" and were less likely to "abscond" or leave their employers.³

Migrants are normally entitled to the same wages and benefits as local workers. As with the enforcement of all labor laws, the best assurance that migrants are treated equally is market incentives—if employers offering substandard wages and benefits cannot recruit workers, local or migrant, they are more likely to offer at least minimum wages and required benefits. Second, most labor law enforcement depends on complaints, and few migrants complain because they fear loss of their jobs and removal from the country, although unions and NGOs aware of migrant rights can sometimes help enforcement authorities to ensure that violating employers are detected and punished without migrants losing their jobs.

The fact that migrants are entering a higher-wage labor market, and that the "cheating" of migrants is often marginal, as when migrants do not obtain the overtime wages to which they are entitled rather than not being paid at all, means that many employers can "get away" with paying migrant workers substandard wages with minimal risk of enforcement. Migrants assigned to a particular employer must weigh the risk of losing their jobs and being removed from the country against the additional wages and benefits they may receive by filing a complaint for underpayment of wages. In practice, there are remarkably few complaints filed by migrant workers about employer violations of labor laws.

The third administrative issue with TMPs is ensuring that migrants depart as required. Returns may occur "naturally" if migrants hold seasonal jobs and are fathers and mothers whose families remain at home. However, migrants holding year-round or permanent jobs, but having time-limited work visas, may need economic incentives to depart, especially if migrants have learned their jobs and both they and their employers want to prolong employment. The clash between rules that require departure and incentives for a longer employment relationship can be distortion and dependence.

Path Dependence

Employers hire migrants because they cannot find workers willing to fill jobs for the wages and benefits they offer. Economic distortion or path dependence can increase the reliance of employers on migrant workers over time as they make investments based on the assumption that doors to migrants will remain open. The lower labor costs made possible by the availability of migrants are sometimes be capitalized into asset values, giving asset owners an incentive to keep hiring migrants.

³ See H-2A, H-2B, Global. 2007. Rural Migration News. Volume 13 Number 4. October. http://migration.ucdavis.edu/rmn/comments.php?id=1249_0_4_0 (accessed June 25, 2009)

For example, farm wages lowered by the availability of migrant workers raise land prices, giving land owners (including those who paid high prices to buy land) an incentive to maintain access to migrant workers to preserve the value of their land. If migrants were not available to pick fruits and vegetables that were planted in remote areas at wage levels that make the investment profitable, the value of the land would drop. In effect, access to migrants acts as a subsidy that raises land prices in the same way that water or crop subsidies raise land prices, giving land owners incentives to maintain open doors for migrants (Kilkenny, 1993).

There can be similar path dependence among migrants, as families, regions, and countries become dependent on earnings and remittances from a foreign labor market. If the money remitted by migrants is not invested to create jobs and generate stay-at-home development, there may be continuing incentives to migrate for employment. In both the US and Europe, decades of guest worker recruitment were followed, with lags, by unauthorized migration from Mexico and by asylum seeking from Turkey (Martin, 2009, Chapter 2; Martin, 2004).

Path dependences helps to explain why guest worker programs often get larger and last longer than expected. Many migrant worker programs were begun in wartime or at other “extraordinary” times, allowing employers to persuade governments to admit migrant workers to cope with “emergency” labor shortages. This anticipation that TMPs are short-lived efforts to deal with emergencies minimizes serious discussion of alternatives to migrants and the trade offs between migrant numbers and migrant rights (Ruhs and Martin, 2008).⁴ The fact that the British government created the MAC, and gave it sufficient resources to examine labor markets in the sectors in which employers requested migrants, opens a rare window on demand, supply, and labor market operation in economic sectors that hire large numbers of migrants.

UK Sectoral Analysis and MAC

The researchers whose contributions are included in this book examined economic sectors along four major dimensions: what do employers seek in the workers they recruit, what do workers seeking jobs want, how to employers go about recruiting workers, and what are the alternatives to migrant workers in a particular sector.

A key finding of employer surveys is that many value so-called “soft skills,” which often means that workers have a good attitude, loyalty to the employer and job, and willingness to work as instructed. Many US employers of migrants report that they value soft skills more than “hard skills” such as years of schooling and knowledge of English (Waldinger and Lichter, 2003). For example, some US employers prefer Spanish-speaking Mexican-born migrants with less education to English-speaking US-born Blacks because the migrants

⁴Migrant rights can cost employers money. With a negatively sloped demand for labor, ensuring full or equal rights can reduce the number of temporary foreign workers employed.

were perceived by employers to be “more suited” to fill low-level jobs than the Blacks.

Second, local citizen and established immigrant workers available to fill the low-skill jobs offered by employers typically want “better” jobs that offer higher wages, more status, and more opportunities for advancement. Some will fill low-wage migrant jobs until they can find better jobs, but few children in industrial countries dream of growing up to be construction laborers, meat processing workers, or farm workers.

Third, employer recruitment systems are intimately linked to the types of workers recruited. Most employers of migrants rely on network hiring, which means that current workers are asked to refer their friends and relatives when additional workers are needed, or a bilingual intermediary taps his or her network for additional workers. In the US, cell phones make it possible for potential workers in remote Mexican villages to learn of US job openings sooner than jobless US workers near the work site.

Fourth, there is rarely serious policy discussion of alternatives to migrant workers. Opening border gates to migrant workers is often perceived as a short-term response to an emergency or slow labor market adjustments, suggesting that migrants will not be needed when “normal” economic circumstances return or after employers and local workers have more time to adjust. It is very hard to chart the adjustment trajectory of a particular labor market, since one adjustment can beget others that are hard to anticipate, even when migrants are not involved. For example, the switch to self-service gasoline stations or self-service airport ticket counters, jobs that did not involve migrants, was not widely anticipated.

Labor Shortages

What is a “labor shortage?” Employers who want border gates opened for migrant workers typically assert that they face a “shortage” of workers, even when labor market indicators such as the unemployment rate suggest that there are more jobless workers than job vacancies.

There is no standard definition or measure of labor shortage. Market economies embody self-clearing mechanisms, changes in wages and prices that bring supply and demand into balance. If the demand for labor exceeds the supply, which is what the term “shortage” suggests, wages should rise, setting in motion forces that reduce the demand for labor via automation, job restructuring, or other adjustments and increase the supply of workers.

In market economies, labor demand should not exceed supply for sustained periods because of wage adjustments, which suggests that governments should not pay much attention to labor shortage complaints. Indeed, decades of economic studies of labor shortage complaints generally discount them. Blank and Stigler, for example, found that the earnings of engineers did not rise faster than average in the 1950s despite US employer complaints of a shortage of

engineers. More recently, Veneri (1999) used faster than average employment and wage growth, and lower than average unemployment rates, as indicators to find that only seven of 68 “labor shortage” occupations satisfied all three criteria.⁵

Governments nonetheless pay attention to labor shortage complaints for reasons that range from political clout to practical budgetary considerations to the distinction between fixed and variable costs. First is the nature of the sectors that make labor shortage complaints, such as agriculture. Agriculture is the oldest industry in almost all countries, and farmers are well organized to get the attention of governments—no other sector accounting for less than five percent of GDP, for example, has a cabinet ministry in most countries. Agriculture is riddled with paradoxes, including policies that transfer tax monies to richer-than-average farmers to keep the sector larger than it would be in the absence of subsidies. One legacy of “agricultural exceptionalism” is that it is relatively easy for farmers in most industrial countries to win governmental approval to employ migrant workers.

Second are the practical budgetary difficulties of allowing wages to rise in order to bring labor demand and supply into balance. Governments strongly influence both the demand for and supply of labor in some sectors, especially health care. If government policies increase the demand for health care by expanding eligibility and keeping direct costs to consumers low, but restrict the supply of health care workers by limiting the number of slots in institutions that train them or holding down their wages, there will be “shortages” of health-care workers. In such cases, governments may find it easier politically to open border gates to foreign health care workers than to raise expenditures in ways that reduce health-care demand or increase supply.

Third is the distinction between fixed and variable costs. Labor is considered a variable cost in most production processes, meaning that employers can lay off workers and have minimal future responsibilities for them. Labor-saving machinery, on the other hand, is a fixed cost, meaning that the employer must pay for the machine whether it is used or not. In seasonal industries such as agriculture and food processing, where machinery will not be used year-round, and in sectors in which the demand for the product or service is uncertain, employers often prefer to maximize their variable costs, which gives them an incentive to hire migrants rather than invest in labor-saving machinery.

The final factor that encourages a migrant-worker response to labor shortage complaints is increased globalization and mobility. Both employers and workers today know far more about wages and worker characteristics in other countries

⁵ Veneri (1999, 18-19) used three criteria to examine 68 occupations for labor shortages in the 1990s, viz, employment growth was at least 50 percent higher than the average for all occupations, growth in median weekly earnings was at least 30 percent greater than the average for all occupations, and the occupational unemployment rate was at least 30 percent lower than the average for all occupations. These 50, 30, 30 indicators did not find shortages of computer workers, RNs, and construction workers, three occupations in which employers claimed there were labor shortages.

than in the past, and a variety of bilateral, regional and global agreements allow or encourage migration over national borders (OECD, 2004).

Health and Care Giving

Providing health care and care to the elderly and disabled in their homes or in group facilities are sectors that are heavily reliant on migrant workers in the UK and other industrial countries. The National Health Service, the world's largest publicly funded health-care system, employs most of the health-care professionals in the UK, and the Department of Health of which the NHS is part is responsible for most of the training and certification of health-care professionals.

Beginning in 2002, the British government moved aggressively to reduce waiting times and increase the quality of care provided by expanding the number of health-care professionals employed by the NHS. In order to expand the number of health care workers quickly, both doctors and nurses were recruited abroad. By September 2008, 32 percent of UK doctors and 19 percent of nurses were born outside the European Economic Area.

Bach (2010) attributed the sharp rise in the number of migrant health-care providers to poor workforce planning—the British government decided to expand the demand for health care without providing budget or allowing sufficient lead time to expand the supply of health-care workers. After 2005, partially in response to concerns about draining health-care professionals from former colonies with similar health-care education systems, the NHS ended active recruitment of foreign health-care professionals except with the approval of the sending-country government. As with other “labor-short” sectors, the UK government believes that the NHS should in the future recruit workers within the enlarged EU, in effect substituting Polish for African nurses.

International recruitment was a “quick fix” to find health-care workers and reduce public dissatisfaction with lengthy waits at the NHS. The underlying reasons for the health care worker shortage included relatively low wages⁶ and limited government-financed training slots. Migration was an “easy” solution because there was a supply of English-speaking health-care professionals trained to British standards abroad who were eager to migrate for higher wages or perhaps to move from the UK to other countries, as with Filipino nurses in Saudi Arabia who migrate first the UK and later to the US.

As a former colonial power that established health-care training systems abroad, the UK is in a unique position to recruit foreign health-care professionals. The social-care sector is slightly different. The government provides the funds to hire two million workers to provide care to children, the elderly, and the disabled in their homes, but local government councils often contract with private agencies to employ care workers.

⁶ NHS wages for health-care professionals are generally lower than for comparable workers employed in the private sector.

The social care labor force includes 80 percent women, and the share of foreign-born care workers doubled in the decade to 2008 to about 16 percent (Morairty, 2010). Surveys suggest that, unlike the international recruitment of health-care professionals, most of the migrant care givers entered the UK via non-work channels such as student and then found jobs as care givers. Turnover among both UK-born and migrant care givers is very high, reflecting both low wages and the low status of the work.

The alternatives to migrant care givers include raising their wages and status.⁷ Both are costly, and raising required levels of training to raise pay and status could wind up increasing the “shortage,” since fewer UK workers will have required credentials. Care giving may evolve into a multi-tiered sector, with those cared for in regulated group settings served by credentialed and higher wage non-migrant workers, and another sector with non-credentialed workers including migrants providing services in private homes.

Construction

The British construction industry is unusual in having about one self-employed worker for each two wage workers—almost a third of the 1.9 million workers in the sector are self employed (Chan, Clarke, Dainty, 2010). It is also where several “British jobs for British workers” disputes arose in 2009, especially at the Lindsey Oil Refinery after some work was subcontracted to Italian company IREM, which planned to use Italian workers. A subsequent inquiry suggested that the British workers did not have the skills of the Italians who, under EU freedom of movement regulations, are entitled to seek UK jobs and work in the UK on an equal basis with British workers.

The major story of the British (and American) construction industry is that increased competition in the 1990s and the availability of migrants led to a rise in subcontracting and an erosion of the apprenticeship training system.⁸ Average skill levels declined along with wages, especially in residential and remodeling work, and the migrant share of the construction labor force rose, especially as older workers who were trained when the apprenticeship system was more robust began to retire. Construction has long been a network industry, meaning that sons followed fathers into building trades, and such network hiring, plus the high share of self-employed workers, allowed so-called “Polish plumbers” from the Central European countries that joined the EU May 1, 2004 to expand their presence in the UK construction labor market (Chan, Clarke, Dainty, 2010).

Unlike most other sectors, employment in construction tends to be project based rather than employer based, with workers arriving to complete a project and then moving on to the next project. The fact that construction workers often have to live in temporary housing near the site makes construction an ideal sector for

⁷ Senior care givers earning at least L7.80 an hour were on the Tier 2 shortage list in May 2009.

⁸ Most apprenticeship training systems are work-and-learn programs operated by unions and associations of employers. After three to six years, graduate journeymen or master craftsmen are able to work on building sites without close supervision.

migrants to find both jobs and housing.

A combination of relatively low entry-level wages in a sometimes seasonal industry with low status means that many British youth shun construction jobs. Unions remain strong among the older British men who fill many of the jobs on major publicly financed infrastructure projects, but migrants fill many of the jobs offered by subcontractors who expect workers to accept long hours in residential building and remodeling.⁹ Migrants from countries that have more formal construction training systems can provide the UK with some of the missing skills that arise from its inadequate training system. The major recommendation to deal with employer complaints of labor shortages is a revamped skills training system that helps Britain to grow more of its own construction workers (Chan, Clarke, Dainty, 2010).

Hospitality

The British hospitality industry includes 14 industries ranging from hotels and restaurants to tourist services. Some 1.9 million people are employed in 180,000 mostly small establishments, with less than 10 employees, and few establishments are unionized (Lucas and Mansfield, 2010).

Hospitality involves employers, employees, and customers, so that the employee becomes the “face” of the employer or business when providing the service. Since the employee may become part of the service that the business is providing, many employers seek “personality” and other soft skills, such as enthusiasm and a good attitude. Most employers offer the minimum wage of about £6 an hour, and many say they cannot raise wages without reducing consumer demand.

The hospitality sector wants different types of workers at different service points, such as “white and middle-class” employees to be hotel receptionists; many employers say that minorities are more acceptable in food preparation and cleaning. Migrants are more likely to be satisfied with the (low) wages than British workers, and those housed on site or nearby are far more willing to work overtime and weekends as required.

Since the service is usually provided to the consumer on site, the major alternative to migrants is self-service in restaurants and hotels, which can change the “product,” or mechanization, such as computers that make staff more efficient and hotel rooms designed to save labor. Temp agencies supply many of the lower-skill employees such as hotel cleaning staff to hospitality employers in both the UK and the US, shifting the cost of recruitment, training, and retention to another business. As in construction, the availability of migrants has allowed systems that in the past recruited and trained local workers to erode at a time

⁹ In the US, it is very difficult for an electrician employed to build houses to move to the so-called commercial construction sector of large buildings and major infrastructure projects. Real- or inflation-adjusted earnings have been falling for several decades in the residential construction sector, although they have increased in commercial construction.

when migrant networks expanded, increasing the migrant share of the hospitality labor force to increase over time.

Agriculture and Food Processing

Agriculture has long been reliant on migrant workers, especially to fill seasonal jobs. However, a combination of “better” nonfarm jobs, an expanded social safety net, and mechanization induced by rising wages reduced the employment of hired farm workers. In the UK as elsewhere, the best way to help seasonal farm workers to improve their incomes has been to help them find nonfarm jobs. In contrast to declining employment on farms, employment in the nonfarm food processing industry has increased, as busy households buy more products that are fully or partially prepared in food processing establishments.

Migrant workers play important roles in both agriculture and food processing. A majority of those employed seasonally on British crop farms were born outside the UK, as were 40 percent of those employed in food processing industries.¹⁰ About a third of the workers hired in UK agriculture and food processing are supplied by temp agencies, including gangmasters or labor contractors. The Gangmasters Licensing Authority, established in 2005, a year after 23 Chinese cockle pickers drowned in Morecambe Bay, reported that 1,200 labor contractors were licensed in September 2005 to provide workers to farmers and food processors.

The UK has for decades had a Seasonal Agricultural Workers Scheme (SAWS) under which “operators” could recruit non-EU workers to fill seasonal jobs on crop farms. The UK government gradually tightened employer access to SAWS workers, reducing the maximum number who could be admitted and restricting the countries in which migrants can be recruited. A maximum 16,250 nationals of Bulgaria and Romania could enter the UK under the SAWS program in 2008, and the SAWS program is to be phased out by 2010 and replaced by Tier 3.

There is a strong “ethical trading” movement in the UK that pressures the four dominant supermarket chains to improve conditions in their supply chains at home and abroad.¹¹ Many critics of the migrant labor system in British agriculture and food processing blame the supermarkets for putting downward pressure on farm wages by demanding that their suppliers reduce prices (Geddes, 2010). Some call farmers and food processors “captives” of the supermarkets, and migrant and local workers “captives” of farmers and food processors.

¹⁰ An April 2008 survey of horticultural producers found that half of their peak season workers were A8 nationals (from Poland and other central European countries that joined the EU May 1, 2004), a third were A2 nationals (from Bulgaria and Romania), and a sixth were British.

¹¹ The big four British supermarket chains accounted for 72 percent of supermarket sales in 2007: Tesco, 30 percent; Asda and Sainsbury's, 16 percent each; and Morrison's, 10 percent. Most chains prefer to deal with only one or two suppliers of each item they sell, including fresh fruits and vegetables. In some cases, suppliers provide supermarkets with produce items that save labor in the home, such as bagged salads.

MAC and its Implications for the US

The UK resembles an island fortress that had relatively few low-skilled migrant workers until the late 1990s, after which there was a near doubling of the foreign-born share of the labor force to 13 percent in the decade to 2008. The surprise is that this opening to migrants occurred under a “New Labor” government that was at least nominally close to unions, and that the government maintained relatively open doors for migrants despite an anti-migrant tabloid press. The Labor Party government supported a number of studies that concluded migrants generated significant economic benefits to the UK economy (Glover et al, 2001).¹²

Migration policy changed in 2008 with the introduction of a five-tier system to select immigrants and migrants. The major aim of the new system was to increase the skills of foreigners employed in the UK, and the major mechanism to achieve upskilling was a points system that gives priority to foreigners with more education and knowledge of English. The most points under Tier 2, 30 for intra-company transfers and up to 50 for other skilled workers, are reserved for foreigners filling jobs on UK labor shortage lists.

The Migration Advisory Committee plays a critical role in determining whether the foreign workers requested by employers are needed by establishing occupational shortage lists for Tier 2 admissions. Its charge is embodied in the 3-S’s, skilled,¹³ shortage, and sensible, that is, for occupations requiring skills, is there evidence of labor shortages that can sensibly be filled by migrant workers?

The major work of the MAC involves considering 12 top-down indicators of labor shortage and the bottom-up evidence submitted by employers, unions, and other interested parties. In order for the MAC to determine that an occupation has a labor shortage, at least six of the 12 top-down indicators must suggest one, for example, that wages and employment in an occupation are rising faster than average. If the MAC determines that there is a shortage of workers in a particular occupation, it must also determine that migrants are a sensible solution.

The tier-selection system and the MAC represent a change for the UK, which began to admit a large number of migrant workers in the late 1990s at the request of employers. Entry channels for foreign workers proliferated, so that by 2007 there were over 80 ways in which foreigners could enter the UK to work. In 2008, the tier-system reduced the number of entry channels to five, and the MAC was created to advise the government.

There are three major reasons why the MAC may be more applicable to other countries than the five-tier system. First, the MAC is an independent body, not a government agency, which may help to insulate its deliberations from political pressure. Second, the MAC considers both top-down and bottom-up labor

¹² Glover et al (2001, pviii) found “little evidence that native workers are harmed by migration...[and] considerable support for the view that migrants create new businesses and jobs and fill labour market gaps, improving productivity and reducing inflationary pressures.

¹³ By MAC criteria, 192 of the 353 occupations are skilled.

market indicators, filling a lacunae evident in US efforts to use top-down indicators that generally do not suggest widespread labor shortages (Cohen, 1995; Veneri, 1999). US employers often complain that top-down national and regional indicators cannot deal with their particular situations, a gap that the systematic submission and consideration of bottom-up evidence can help to fill.

Third, the MAC can weigh the sensibility of filling any labor shortages it finds with migrant workers. In the case of the British social care sector, for example, it can highlight the disconnect between the expectation that care workers should be highly skilled and limited government budgets that result in low wages. By helping to de-politicize decisions on whether to admit migrant workers, the MAC can serve a very useful advice-giving role.

However, allowing an independent MAC to weigh bottom-up evidence is not a panacea for often difficult discussions about whether migrant workers are a sensible solution to identified labor shortages. In the US, proposals for an independent MAC-like commission to provide advice or determine how many economic immigrants and migrant workers should be admitted have been resisted by employers who are not certain that the commission will reach the “right” answers.

The US has been debating what to do about the growing number of unauthorized foreigners, an estimated 12 million in 2008, for a decade (Passel and Cohn, 2009). The spectrum of policy options is framed by two extremes, enforcement and attrition and comprehensive immigration reform. Enforcement and attrition means making life in the US increasingly difficult for unauthorized foreigners so that many leave on their own, and then dealing with the fewer who remain. Comprehensive immigration reform, endorsed by now President Obama and his then Republican rival Senator John McCain (R-AZ) before November 2008 elections, involves legalizing most of the unauthorized foreigners and developing a secure ID system that discourages additional illegal foreigners from entering the US to seek jobs.

The new twist in the US immigration reform debate, euphemistically called “future flows,” is determining how many guest workers to admit. Less than a sixth of the million immigrants a year are admitted because US employers prove to the Department of Labor that the foreigner is uniquely qualified to fill a particular job, and over half of these 150,000 foreigner who receive immigrant visas for economic reasons are members of the principal worker in question. The US has an alphabet soup of visas for nonimmigrants or guest workers, and at least 250,000 foreign guest workers enter each year.¹⁴

Immigration reform failed in 2006 and 2007 in part because of union opposition to employer proposals for new “market-based” guest worker programs that

¹⁴There are about 70,000 immigrant visas issued each year to “principals,” foreigners whose US employers must normally demonstrate that US workers are not available to fill a particular job. Almost four times more temporary workers are admitted, and the stock of unauthorized foreign workers rose by an average 350,000 a year between 2003 and 2007.

would automatically add work visas if employers demanded all those available before the end of the year. In an effort to bridge the gap between employers, who have demonstrated their ability to persuade Congress to include new guest worker programs in any comprehensive immigration reform bill, and skeptical unions, there have been proposals for a MAC-like commission to examine the impacts of migrants on US labor market and recommend an appropriate number of guest workers (Marshall, 2009).

Employers have resisted the proposed commission, preferring to enact into law new guest worker programs and the criteria employers must satisfy to obtain migrants. President Obama met with 30 Congressional leaders June 25, 2009 to begin “an honest discussion about the issues” involved in comprehensive immigration reform. Obama singled out McCain for special praise, noting that he went against many in his Republican party by supporting comprehensive immigration reform. However, McCain expressed strong opposition to a commission, saying: “We don't need a commission. I can't support any proposal that doesn't have a temporary worker program.”¹⁵

The MAC is likely to play an important role in generating knowledge of how labor markets in sectors employing large numbers of migrants function. By combining top-down and bottom-up labor market indicators to examine shortage complaints and determine whether admitting migrants workers is a sensible solution, the MAC can pioneer a more rigorous approach to dealing with employer complaints of too few workers and union responses that there is no shortage of workers, only a shortage of wages.

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¹⁵ See Obama, Congress. 2009. Migration News. Volume 16, Number 3. July.

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