

Is employer sponsorship a good way to manage labour migration?

Implications for post-Brexit migration policies

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Abstract

This paper examines the implications of labour migration models that rely on employer sponsorship. According to UK government proposals, long-term migration into high-skilled jobs after Brexit will require workers to be sponsored by employers, while workers in low-skilled and low-wage jobs will receive short-term work permits that do not require an employer sponsor. The paper argues that choosing employer sponsorship over worker-driven routes has three key effects: it gives the government greater ability to regulate which jobs migrants fill; it gives employers more power over their workforce; and it increases the administrative burden associated with hiring workers from overseas. This implies that in high-skilled jobs, employer sponsorship is likely to improve the skill composition of labour migrants but reduce the total number of skilled workers admitted; and that in low-skilled positions the government faces a trade-off between the ability to channel workers to specific jobs (including those where employer struggle to attract workers) and the risk of increasing underpayment or exploitation.

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1. Introduction

Over the past 15 years, free movement from the European Union has been the main legal channel through which migrant workers have come to the UK for work, particularly in low- and middle-skilled jobs.

By 2017, an estimated 2.4 million people born in EU countries were employed in the UK, the majority (72%) of whom had arrived in the UK in 2004 or later, according to the Labour Force Survey. The EU born made up the majority of the migrant workforce in low-wage jobs such as cleaning, waiting tables, warehousing and food processing, making EU free movement the most important route into low-skilled jobs by some distance. At the same time, just under half (47%) of EU citizens were in either upper-middle skilled jobs such as building trades and high-skilled roles such as teachers and managers (Table 1).¹

Following its departure from the European Union, the UK is expected to implement one of the most fundamental redesigns of labour immigration policy for several decades. While many of the details of the new system are yet to be determined, the publication of the government's White Paper in December 2018 now provides a broad overview of UK labour migration policy's expected trajectory (Home Office, 2018).

The White Paper indicates that free movement will be replaced with a 'skills-based' labour migration system, in which everyone who comes to work in the UK will require a work permit. Workers in skilled jobs paying a high enough salary could be sponsored by an employer to receive long-term work permits with a path to permanent settlement and citizenship. Workers who do not meet the requisite skill or salary thresholds could still come to the UK and would not

¹ To facilitate the theoretical analysis, this paper uses the common and relatively crude distinction between 'high-skilled' and 'low-skilled' positions, while recognising that in reality most jobs are in the middle of the skills spectrum.

require an employer sponsor, but would only be able to stay in the UK for a strictly temporary period.

Alongside the expanding role of temporary migration, one of the most notable features of the White Paper is the way in which it navigates the question what role employers will play in labour migration to the UK. At the high-skilled level, employers are set to become much more important in the governance of labour migration from EU countries, with long-term work authorisation hinging on an employer's involvement in the application process.

By contrast, the government proposals studiously avoid giving employers sponsorship duties in low- and middle-skilled jobs. The proposed system is very different from free movement in that it greatly restricts workers' rights (most notably the ability to remain in the country long-term, as well as rights to family reunion and welfare benefits). It is still not known which nationalities will be eligible. But one key thing it has in common with free movement is that it remains 'worker driven' for workers in most jobs.

Alongside the employer-sponsored route for high-skilled work, there would be two main temporary visa options available for jobs at any skill level. The first is a new short-term work visa of up to 12 months that a person could obtain multiple times, so long as they completed a 'cooling off period' outside of the country between visits.² The second is an expansion of the Youth Mobility Scheme (YMS) to some or all EU countries (exactly which countries remains unclear). YMS currently allows people from countries with which the UK has a reciprocal agreement to come to work in the UK for up to 2 years, as long as they are between the ages of 18 and 30. In addition to these two routes, the White Paper mentions the possibility of a seasonal agricultural workers programme presumably based on employer sponsorship (similar to the Seasonal Agricultural Workers' Scheme that closed in 2013), but implies that such a programme might not be introduced at all or might only operate for a few years.

This paper examines the implications of these choices. It examines the various different effects and uses of employer sponsorship in labour migration, and the trade-offs that governments must consider when deciding whether to rely on it.

Table 1: Skill level of main jobs held, by place of birth, 2017

	EU	Non-EU	All non-UK	UK	Total
Low-skilled , e.g. cleaning and waiting	503,000 (21%)	391,000 (12%)	895,000 (16%)	2,461,000 (9%)	3,356,000 (11%)
Lower-middle , e.g. drivers and care workers	781,000 (32%)	1,058,000 (33%)	1,838,000 (32%)	8,837,000 (34%)	10,676,000 (34%)
Upper-middle , e.g. building trades and chefs	616,000 (25%)	729,000 (22%)	1,344,000 (24%)	7,567,000 (29%)	8,912,000 (28%)
High-skilled , e.g. teachers and managers	537,000 (22%)	1,063,000 (33%)	1,600,000 (28%)	7,297,000 (28%)	8,899,000 (28%)
Total	2,437,000 (100%)	3,240,000 (100%)	5,677,000 (100%)	26,161,000 (100%)	31,842,000 (100%)

Source: Migration Observatory analysis of 2017 APS in Sumption and Fernandez Reino (2018). Note: examples provided are the occupations within the skill group that employ the largest number of EU-born workers. Includes both employees and self-employed.

2. What is employer sponsorship?

² The White Paper does not specify exactly how cooling off periods would work (e.g. whether people staying for short periods would have shorter required absences) and notes that this will be subject to consultation.

There are many different ways of selecting and admitting migrants for the purposes of work, but a classic distinction is between “demand-driven” and “supply-driven” selection (Chaloff and Lemaitre, 2009). Demand-driven migration is so named because demand from employers, in the form of a job offer, is a precondition for eligibility. Often the application is submitted by the employer, as in the UK’s Tier 2 (general) scheme or the United States’ H-1B visa, although some countries (e.g. France) expect the worker to submit the application, providing a contract as proof that the job offer exists.

Under ‘supply-driven’ or ‘worker-driven’ migration, by contrast, no job offer is required. Work authorisation is given directly to the individual on the basis of their characteristics, and they then find a job of their own accord. A much-studied variant of supply-driven migration is the points system which selects prospective migrants based on factors such as education and age (Chaloff and Lemaitre, 2009; Papademetriou and Sumption, 2011; Koslowski, 2013), but contrary to popular belief (see e.g. Facchini and Lodigiani, 2014), points systems are not the ‘typical’ form of worker-driven migration. Points systems are used in a handful of high-income countries to select skilled workers.³ However, other widely used forms of worker-driven migration exist in which selection is based purely on nationality and/or age, with no other criteria applied. This includes ‘working holidaymaker’ schemes across many different high-income countries and free movement in 28 EU member states and the Trans-Tasman area.⁴

The UK has relied on both employer-driven and worker-driven labour migration in the recent past. UK’s Tier 2 (general) visa for skilled non-EU citizens admits workers sponsored by employers. To use the route, employers must first apply for a sponsor license, which among other things assesses their capacity to comply with programme rules. They then assign ‘Certificates of Sponsorship’ to specific workers they wish to hire, which allows the worker to apply for a visa. Following increases in skills and salary requirements since the late 2000s, this route now admits workers in graduate jobs, most of whom must also meet a minimum earnings threshold of £30,000. Other key examples of employer-driven schemes include the Sectors Based Scheme (SBS) for hospitality and food processing and the Seasonal Workers Agricultural Scheme (SAWS), both of which closed in 2013.

Alongside these schemes, free movement for EU citizens is a worker-driven route that offers migrants extensive social and economic rights (see Ruhs, 2013) with no selection based on skills. The Tier 5 Youth Mobility Scheme (YMS) admits 18-30 year olds from certain countries (e.g. Australia, Canada and New Zealand) with much more restricted rights for up to 2 years, also with no skill criteria. From 2002 to 2011, a worker-driven route existed for non-EU citizens selected through a points test that took into account factors such as qualifications, education and proposed earnings—a route initially known as the Highly Skilled Migrant Programme (HSMP) and later rebranded as Tier 1 (general). Non-work migration routes, such as family (including the dependents of certain skilled work-permit holders), also provide work authorisation without occupational restrictions.

One of the challenges that employer sponsorship brings for policymakers is that it has several different functions and effects in the immigration system, not all of which are desirable. First, compared to worker-driven systems, employer-sponsored routes give governments considerably more control over the jobs that labour migrants do. This is because work authorisation is linked to specific jobs with named employers. Second, the fact of linking workers to jobs gives employers more power over their workers, as the worker’s stay is

³ The best known users of points systems are Australia, Canada and New Zealand, followed more recently by Austria, Japan, Singapore and for the self-employed in the Netherlands.

⁴ Note that not all points systems are actually supply driven. Points tests can be used to select employer-sponsored workers – an example being the points test used for the UK’s Tier 2 visa when the cap on sponsorships is oversubscribed.

contingent on their job. And third, the administrative burdens of employer sponsorship are expected—in some but not all cases—to make labour migration a less attractive option for employers and workers.

3. Employer sponsorship as a way of managing who does what

Worker-driven routes allow workers to take any job. These routes are commonly referred to as ‘supply driven’, because whether or not eligible workers move depends largely on their own choices. Of course, workers’ distribution across the labour market after they arrive is also driven by demand in the labour market. Migrants will not necessarily make the same choices in the labour market as local workers, since there may be differences in what they are either willing or able to do, or in how they are viewed by employers. But for the most part migrants in worker-driven schemes are subject to the same basic set of employment laws and can move between jobs in the same way as non-migrants.⁵ This means that the government has relatively limited influence over the actual jobs these workers do.

Employer sponsorship, by contrast, allows governments to intervene more actively in the allocation of workers to jobs, directing migrants towards certain types of work. The application process provides an opportunity for the government to scrutinise the job offer and the terms and conditions, setting specific requirements if it wishes. For example, governments may wish to prioritise labour migration into high-skilled jobs where the economic benefits of labour migration are thought to be greatest (MAC, 2018). They may wish to admit workers for low-wage work that is thought to be important but unattractive to local workers, such as social care or seasonal work, especially in agriculture (see e.g. Goodhart, 2018; Global Future, 2018). Or they may wish to address concerns about overseas recruitment ‘undercutting’ local workers by setting minimum pay requirements (MAC, 2018).

In high-skilled jobs, a further policy rationale for employer selection over worker-driven labour migration routes is that it reduces the risk of over-qualification—i.e. the risk that educated workers will only find relatively low-skilled work. This is illustrated by data from an evaluation of Canada’s Federal Skilled Worker Programme (Citizenship and Immigration Canada, 2010). The evaluation found that permanent residents admitted through Canada’s points system who were awarded points for having a job offer were more likely to be employed than those who did not. While the gap narrowed over time, there was still a 12 percentage point gap 4 years after arrival, and those with a job offer lined up in advance earned on average almost 80% more, even 3 years after arrival.

In low-skilled positions, by contrast, employer sponsorship may be used to *prevent* migrants from working at their skill level, confining them to low-skilled positions. High-skilled employer-sponsored routes are generally quite broad based (although admission for some jobs or occupations may be particularly facilitated). But the range of occupations in which migrants in low-skilled worker programmes can work is often quite limited (Ruhs, 2013).

Indeed, the government’s ability to channel workers into ‘unattractive’ jobs using employer-sponsored work permits is precisely based on its ability to restrict the role of market forces in allocating workers to jobs. It relies on restricting migrants’ options so that they cannot seek out more ‘attractive’ positions, a theme that is developed further in section 4.

This is not to say that worker-driven routes like free movement or YMS will never be able to provide a supply of labour in industries where employers struggle to offer attractive conditions.

⁵ There are some exceptions – for example, the Youth Mobility Scheme imposes some restrictions on self-employment. There are also some differences in how employment rights can be enforced (Barnard, 2014).

For many years, free movement *has* in fact provided a significant supply of labour into such jobs (MAC, 2018), despite being a worker-driven route. This may be in part because the overall number of EU citizens coming to work in the UK was large enough to accommodate employer demand across all industries. However, under a worker-driven system there is no guarantee that all employers will be able to recruit from overseas, since employers in industries such as agriculture, meat processing or social care must compete against those offering potentially more desirable or less difficult jobs. Indeed, when net migration from EU countries fell sharply after the referendum, farmers started to complain of labour shortages and pressed to be able to hire workers from non-EU countries too, even though free movement remained in place (NFU, 2017).

In addition to setting eligibility criteria for labour migration, employer sponsorship plays an important role in their enforcement. While in principle the government could admit workers in their own right and impose conditions on them (for example, specify that they should only seek work in particular occupations under particular conditions), monitoring compliance under such a system would be difficult if the employer had no involvement in the work-permit process. Making the employer responsible for meeting terms and conditions through a sponsorship relationship both reduces the number of actors to be monitored and puts responsibility for compliance in the hands of an organisation that is already known to and interacting with the state for a whole range of regulatory purposes (e.g. taxes, pensions, licensing, etc).

4. Employer sponsorship and the balance of power between employers and workers

Even if the main purpose of employer-sponsored work permits is to manage which workers go where, they also affect relationships between employers and employees (Anderson, 2010; Fudge, 2012; Costello and Freedman, 2014; Albin, 2014). The policy objective of employer sponsorship—i.e. the ability to channel workers to specific jobs—is achieved by linking workers to a particular vacancy and thus to a particular employer. The worker's right to remain in the country and work thus depends on maintaining a good relationship with their employer.

Varying levels of dependence

In practice, workers' dependence on their employers will vary depending on the design of work permit system and in particular how easy it is to switch between jobs.

At the 'high dependence' end of the spectrum are systems in which workers are sponsored for a particular job and there is no entitlement to switch to another job without leaving the country and qualifying anew. The UK's Seasonal Agricultural Workers Scheme (closed in 2013) comes close to this model. Switching employers required the permission of the operator that enabled them to come to the UK.⁶ According to guidance provided to workers, they could 'only do so for exceptional reasons'; otherwise, if a worker left their employment they would have to wait for three months before being eligible for a new placement (UKBA, 2007, cited in Scott, 2017). In other words, government guidance appeared to explicitly encourage immobility and thus dependence on the employer.

A second model of employer sponsorship allows workers to switch between employers so long as the second employer submits a new application. Under the UK's Tier 2 (general) skilled work visa, for example, non-EU workers who want to switch jobs must have an eligible job offer with another employer who is a licensed sponsor. Most employers are not already licensed sponsors. In October 2017, there were approximately 25,300 licensed Tier 2 (general) sponsors (Home Office, 2018), equivalent to just 2% of the 1.3m businesses with at least one employee in 2017 (BEIS, 2017). A worker who stops working for their original employer sponsor will have their

⁶ In some cases the operator was also the employer, in others the operator was an intermediary that supplied labour to agricultural employers.

permission to remain in the UK curtailed, with a 60-day grace period during which they can look for a new job. However, this may not be enough time to line up work, e.g. if a labour market test must be conducted and especially if the new employer needs to apply for a sponsor license. So, although there is no explicit policy to prevent switching between employers, there are practical barriers to doing so.

A third model releases the work visa holder from a specific employment relationship—i.e. does not explicitly involve employer sponsorship—but requires them to be in work. For example, Blue Card holders in Germany can switch employers after 2 years without requiring a new work permit application, but if they do not find a new job they may not qualify for permanent settlement. In Sweden, workers can also switch jobs after an initial 2-year period if they stay in the same sector. In Australia, working holidaymakers who want to extend their visa for a second year must have completed at least 3 months of ‘specified work’, which includes agriculture, mining or construction occupations outside of the major Australian cities. This means that switching between employers is administratively easy but the worker still depends on having *an* employer, which thus gives the employer some degree of control over workers. Workers who cannot find other job options easily may thus be reluctant to leave a job.

Finally, on the ‘low-dependence’ end of the spectrum are work permits in which employment is independent of employers: there are no administrative barriers to moving between employers, and workers do not have to be employed at all if they do not wish. Examples include the UK Youth Mobility Scheme and free movement. (With the caveat that workers may need to have ‘sufficient resources’ to maintain their status.)

The degree of dependence that workers have on their employers is related to the level of control that the government has over the work that is performed (as laid out in Table 2), since scrutinising the specific job relationship is a key moment at which the government can identify what type of work qualifies and what doesn’t.

Allowing workers to switch between employers but still requiring a new application from the second employer (i.e. moving from the first to the second row of Table 2) involves relinquishing little control. By contrast, the key point at which the government relinquishes influence over the work performed is between the second and third categories, as this is when the worker is delinked from the employer. The government can still impose occupational restrictions (e.g. offer a work permit valid only for certain occupations, as Fudge (2012) proposes), but it loses its ability to specify the terms and conditions of work—something that has been important in defining eligibility for Tier 2 (general). Without a named employer, enforcement also becomes more difficult, including monitoring whether workers are in fact in ‘approved’ occupations.

Table 2: Relationship between immigration status and employer

Decreasing dependence on employer ↓	Work and residence authorisation is tied to a specific job and there is no entitlement to switch jobs	Government admits worker for a specific position and ensures that they stay in that position.
	2. Work and residence authorisation is tied to a specific job, but the worker can switch between approved jobs	Government specifies which positions qualify and allows workers to move between those positions.
	3. Work and residence authorisation is tied to being in work (perhaps in a specified occupation), but any employer will do	Government has only limited influence over the nature of the work performed

	4. Work and residence authorisation is independent of being in work	Government has no control over the jobs performed
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Impacts of tying workers to employers

The clear theoretical expectation in the literature is that tying workers to their employers reduces their bargaining power in the labour market and thus is likely to put downward pressure on their wages and increase the risk of labour exploitation.

Measuring the impact of this in practice is difficult, although a handful of studies have found that (particularly low-wage) workers start to earn more when they move out of a visa status that ties them to specific jobs. Lowell and Avato (2014) find that that science and technology work-permit holders in the US (a group dominated by IT-related occupations) saw a significant earnings boost once they became permanent residents and so are no longer dependent on their employer. For Canada, Ci et al (2018) find the same for low-skilled live-in caregivers, although not for high-skilled workers. An exploratory analysis based on a small sample of Eastern European workers before and after the 2004 EU enlargement found that those newly acquiring EU citizenship were more likely to switch employer than those who remained non-EU nationals, and that this led to higher earnings (Ruhs, 2017).

While employers discussing their use of migrant workers are keen to emphasise their good employment practices, certain employers' interest in work-permit schemes rather than worker-driven routes seems to confirm the suspicion that at least some see workers' rights to mobility as a problem. Several employers responding to the Migration Advisory Committee (2013) enquiry on seasonal agricultural workers, for example, favourably compared seasonal workers from Romania and Bulgaria (who at that time were tied to employers as they did not yet have full free movement rights) with A8 Eastern European nationals who had full freedom of movement. A8 workers are typically praised by employers for their high work ethic and motivation (MAC, 2018), but SAWS employers described them as 'unreliable' compared to SAWS visa holders, reluctant to remain on the farm for the full season because they were free to move elsewhere (MAC, 2013, p62). Similar employer views emerged in an earlier, Home Office (2005) evaluation of the sectors-based scheme (SBS) in food processing.

In another study conducted before and after Eastern European workers gained free movement rights due to EU enlargement in 2004, several employers of Eastern European agricultural workers and au pairs said that workers' limited mobility rights brought advantages and that additional rights made workers less 'loyal' (Anderson et al, 2006, 84-85, 90-93).

Regarding the risk of exploitation, gathering evidence is harder. However, a review of the visa programme for overseas domestic workers in private households, which from 2012 to 2016 both linked workers to a specific job and prohibited them from changing employer, argued based on qualitative evidence that this strict employer tie exacerbated risks of abuse (Ewins, 2015). Reviews of temporary work programmes in other countries have also identified dependence on employers as a factor increasing the risk of exploitation (see e.g. Parliament of Australia, 2016; GAO, 2015; Stringer, 2016).

Regulating terms and conditions of work

While employer-linked visas statuses may exacerbate the risk of low pay or exploitation, this does not mean that pay and conditions will be worse for all sponsored migrant workers, or even for workers on average. When discussing the employer tie and the reduction in employees' bargaining power, two caveats are warranted.

First, the right to change job is not sufficient to prevent exploitation. Workers with a secure immigration status that allows them to switch between employers will not necessarily do so if they feel that they have few alternative options. There are many documented cases of exploitation under free movement, despite the fact that workers had a secure immigration status (Barnard, 2014). As MacKenzie and Forde (2009) note, employers may benefit from hiring migrant workers with limited bargaining power even under free movement with all the rights it brings. The employer tie in work-permit systems is just one of several factors affecting the worker-employer relationship.

Second, employer-sponsored work permits in theory offer the government the opportunity to monitor the employment relationship more closely, including requiring minimum salaries higher than the minimum wage, or other terms and conditions.

A study on visa arrangements in Australia argues that the unregulated working holiday visa in Australia has led to more exploitation in the agricultural sector than the regulated visa programme for Pacific Islanders because the latter explicitly involves oversight of wages and working conditions (Curtain et al, 2017). A UK study in the mid-2000s found that SAWS workers were more content with their accommodation than non-SAWS workers on farms, attributing this to success in the regulation of accommodation through this programme (Spencer et al, 2007).

What employer sponsorship means for workers' rights overall thus depends on how much regulation and monitoring actually takes place, what resources are dedicated to it, and therefore whether the benefits of regulation for workers outweighs the potential benefits of the freedom to switch between employers. This is an empirical question, although it is worth asking how realistic it is that an employer-sponsored worker programme can be closely monitored if it is very large: monitoring labour conditions is resource intensive.

5. Employer sponsorship as a burden or deterrent

Some employers may prefer work visas that require sponsorship because it gives them a more 'reliable' workforce, but from the perspective of both employers and migrants themselves, sponsorship is also a burden.

One reason employers have been positive about free movement is that it is administratively easy: EU citizens can be recruited with no additional paperwork (MAC, 2018). By contrast, responding to the MAC call for evidence on the impacts of EEA migration, employers across many different sectors complained that the current Tier 2 sponsorship and recruitment process for non-EEA workers was complex, bureaucratic and expensive. This was seen as a particular problem for small employers and those who only occasionally hire non-EEA workers (ibid.). Similarly, OECD reviews of labour migration policy from a range of high-income countries have found that small and medium sized enterprises often struggle with the bureaucracy associated with work-permit applications (see for example OECD 2014a, 2014b, 2014c).⁷

⁷ Note that in some work-permit schemes, sponsorship duties are delegated to an organisation other than the employer. For example, before its closure in 2013, SAWS was run by 9 operators, four of which were labour providers who sourced labour for many different employers. Third-party sponsorship is also used in some higher-skilled positions, such as internship programmes under the Tier 5 (Government Authorised Exchange) programme; in these cases, an umbrella organisation oversees the placement and is also responsible for compliance, together with the employer. Some have proposed that the government should permit wider use of third-party sponsorship after Brexit including in less-skilled jobs, in order to make it easier for small employers to use the work-permit system (Davies and Rolfe, 2017).

Indeed, looking at the main employer-sponsored work-permit route in the UK, Tier 2 (general) – it appears that a relatively small share of sponsored workers are going to smaller businesses. Table 3 shows the share of the whole UK workforce employed with small employers vs. the share of Tier 2 (general) certificates of sponsorship going to small employers in 2017. While the figures cannot be directly compared (one is a ‘flow’ and one is a ‘stock’, so the comparison will be affected by factors such as how frequently employers of different sizes recruit new staff), they do appear to indicate that a relatively low share of Tier 2 workers are employed in smaller businesses.

In 2017, 31% workers in the UK were in businesses with 50 or fewer employees, compared to 20% of non-EEA nationals being sponsored for Tier 2 (general) visas. Similarly, 71% of CoS went to large employers with 251 or more employees, but workers in these businesses made up only 56% of the workforce. This pattern is seen across most of the largest industries sponsoring Tier 2 (general) workers, with the exception of IT.

Table 3: Share of Tier 2 certificates of sponsorship to employers with 50 or fewer employees, 2017

Industry	Number of Tier 2 (general) CoS	Share of Tier 2 (general) CoS	Share of workers across all UK workforce	Share of Tier 2 (general) CoS	Share of workers across all UK workforce
		Small businesses: 50 or fewer employees		Large businesses: 251 or more employees	
Arts, Entertainment, Other Services	540	26%	49%	59%	36%
Education	7,490	3%	7%	90%	78%
Health and Social Work	12,210	6%	20%	91%	67%
Information and Communications	5,645	44%	42%	37%	44%
Manufacturing, mining, utilities	2,475	22%	28%	62%	49%
Professional, Scientific, Technical	7,760	25%	54%	59%	31%
All industries	46,705	19%	31%	71%	56%

Source: FOI requested data from Home Office and ONS Inter-departmental Business Register. Note: selected industries are those with more than 1,000 Tier 2 (general) CoS granted; totals include all industries except ‘households as employers’. Note: total number of CoS granted can exceed annual cap because not all CoS are subject to cap.

In addition to the administrative burden involved, sponsorship is also expected to reduce the efficiency of the labour market in reallocating workers to jobs where their skills can be most productively employed. That is, even if a given employer may benefit from more easily retaining a worker once they have sponsored them, all employers in the sector are expected to benefit from the ability to hire workers moving freely from one job to another. This may be particularly significant in high-skill industry clusters that rely on a pool of workers who can be mobile between firms.

For migrants, employer sponsorship also represents a burden. This is because the delays and uncertainty the employer faces also affect the worker, and because of restrictions on the ability to move between jobs described in the previous section. All else equal, therefore, we might assume that employer-sponsored visas will be less attractive (and thus attract fewer) migrants than worker-driven ones.

To what extent will employer sponsorship affect the volume of labour migration?

If employer sponsorship makes labour migration more burdensome for employers, migrants, or both, we should in principle expect the choice of an employer-sponsored route over a worker-driven one to reduce the volume of labour migration, all else equal. The only caveat would be that if some employers find it difficult to retain workers and thus prefer employees whose work permits tie them to the job, as discussed in the previous section, they may find that the costs of sponsorship are worth it. In other words, we should expect that employers offering the least attractive jobs will prefer employer sponsorship, while those offering more attractive work will prefer routes not involving sponsorship.

This is important when thinking about the economic impacts of sponsorship requirements, because a system that significantly reduced the number of high-skilled workers coming to the country would be expected to have negative impacts on public finances, productivity and earnings (MAC, 2018; Menon and Portes, 2018).

Existing research provides little insight into the likely magnitude of any such effects. Considering the effects of immigration policies on migrants' choice of destination, Papademetriou et al (2008) plausibly hypothesise that immigration policies are second-order considerations, whose role in determining migration decisions is much smaller than traditional drivers such as economic opportunity. In a careful qualitative study of the determinants of EU and non-EU citizens' migration in Europe, Dubow et al (2018) seem to confirm this hypothesis, finding that immigration policy was not among the top factors migrants considered when choosing their EU destination. That said, some of their high-skilled research participants who had already moved to the UK did feel that free movement had been important to their decision, and that some EU citizens in the UK objected 'in principle' to the idea of having to hold a visa rather than exercise free movement rights. Indeed, how rules are publicised and perceived by prospective migrants may affect perceptions of how welcoming or open a country is, regardless of the concrete costs or barriers created by work authorisation applications.

There is little quantitative research on the effects of different types of selection systems on the scale and composition of migration flows. A cross-country quantitative analysis of immigration policies (Czaika and Parsons, 2017) finds that countries requiring a job offer had significantly lower inflows of migrants into high-skilled occupations compared to countries admitting skilled workers without a job offer though points-based systems. Drawing on a somewhat cruder classification of migration policies across 14 destination countries, Boeri et al (2012) find that the main factor driving skilled migration is the wage premium for educated workers and that immigration policies tightening or loosening entry criteria were generally not found to have significant effects; although they did find that broadly defined 'pro-skilled' selection policies improved the skill composition of migration while reducing the number of skilled movers. Based on a quantitative analysis of the US and Australia, the two classic countries taken as examples of employer-driven and worker-driven migration, respectively, Jasso and Rosensweig (2009) argue that selection mechanisms have little impact on the skill composition of employment-based migrants admitted, and that the effects of geography—that is, who the destination country's geographical neighbours are—are much more important (their analysis does not consider the effects on the volume of skilled migrants admitted).

The upshot is that based on theory and the available empirical evidence, it seems likely that moving to labour migration routes requiring employer sponsorship along the lines suggested in the immigration White Paper would 1) reduce overall volumes of migration to the UK; 2) reduce the number of high-skilled migrants in particular; and 3) probably increase the average skill level of the future stock of labour migrants by preventing settlement in lower-skilled jobs and

requiring that employer-sponsored migrants should be immediately employable. The size of these effects is anyone's guess.

6. Conclusions

As this paper has shown, employer sponsorship is one of the basic building blocks of an 'actively managed' labour migration system, with all of the costs and benefits such a system entails. In practice it plays three quite different roles in a labour migration system. First, it enables the government to regulate which migrants are selected to do which jobs, rather than leaving those decisions to the market. Second, the same feature that enables government control—the fact that a worker is linked to a specific job—makes it harder for workers to leave unattractive jobs or exploitative employers. And third, employer sponsorship represents a burden for both employers and migrants themselves, which all else equal is expected to reduce migration levels across the skill spectrum.

The advantages and disadvantages of the two types of labour migration for different parties are summarised in Table 4.

Table 4: Advantages and disadvantages of employer-sponsored vs. worker-driven schemes

	Employer-sponsored schemes	Worker-driven schemes
For the Government		
Advantages	Ability to target migration towards particular types of work. Ability to regulate terms and conditions, e.g. wages higher than minimum wage.	No need to 'pick winners' since market determines who works where. Employers must compete for workers. Lower administrative and enforcement burden due to lighter regulation.
Disadvantages	Greater bureaucratic burden processing applications and ensuring compliance with terms and conditions of work. Likely reduction in volume of skilled migration.	Political disadvantage of having less influence over specific jobs migrant workers occupy.
For Migrants		
Advantages	Some workers may be paid more or get better working conditions due to programme regulations.	Can choose freely between employers and types of work, move into new job quickly with limited paperwork.
Disadvantages	Greater risk of poor working conditions due to inability to switch jobs. Job loss may mean worker has to leave the UK.	
For Employers		
Advantages	Higher retention because difficult for worker to move to another job.	No bureaucracy associated with sponsorship.
Disadvantages	Cost and paperwork of sponsorship, especially for small employers. May be restricted to certain	May lose workers to other employers. Age restriction on YMS reduces possible candidate pool.

	industries or occupations.	
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These effects are not likely to be uniform across the skill spectrum.

When admitting migrants into high-skilled jobs, the main advantage for government of employer sponsorship is selection: it is the most reliable mechanism the government has at its disposal to ensure that the worker is actually doing highly skilled work. (Selection can instead be done on the basis of the worker's skills and without employer sponsorship, although this will not prevent overqualified migrants working in less-skilled jobs.) In high-skilled positions, the risks of underpayment and exploitation are expected to be lower than in low-skilled work (Metcalf, 2018), and so concern about increasing employers' power over their workers is diminished if not eliminated. However, the 'deterrent' effect of employer-driven work permit schemes is potentially a greater concern (Menon and Portes, 2018), since high-skilled workers are widely acknowledged as economically beneficial.

The trade-off involved in choosing employer-sponsored vs. worker-driven options at the high-skilled level is therefore primarily between the ability to run a more selective migration policy (i.e. preventing less skilled migration) and the likely consequence of deterring some skilled migrants. From an economic perspective, whether or not the cost of the latter is 'worth it' will largely depend on one's judgment as to whether less-skilled migration has significant costs (a question beyond the scope of this paper but discussed widely elsewhere, e.g. MAC (2018)).

For low-skilled jobs, the policy trade-off is different. When admitting migrants into low-skilled jobs, the key regulatory function of employer sponsorship is to open *only some* low-skilled jobs to labour migration, i.e. those jobs where it is considered socially or economically necessary. Restricting options to move to better jobs may in some cases be *needed* in order to push at least some people towards the least desirable ones, if that is a policy goal. From an economic perspective, having the government rather than the market decide which low-skilled jobs migrants take is not expected to lead to an efficient allocation. However, this is perhaps not the point – after all, the goal of the employer-sponsored route may be to support specific industries that are important for social or political reasons, such as social care or agriculture, respectively.

There are also broader political considerations. Because employer sponsorship gives governments the ability to specify which jobs can be filled and how, it creates an impression of control that may resonate with the public. It allows governments to argue that the system is responding to specific, identified needs. Polling results suggest that the public feel more warmly towards migration into specific, named occupations (e.g. 'fruit pickers', 'waiters') rather than the generic category of 'unskilled' jobs (see e.g. British Future, 2017, p23). In addition, linking workers to specific employers may also bring political benefits by allowing the government to argue that only 'responsible' or 'trusted' employers are able to use the system, and/or that they do so in return for specific commitments to follow approved procedures and employment practices.

For governments using employer sponsorship to manage low-skilled migration, the idea that employer sponsorship may be a deterrent to prospective employers is less likely to be a problem than at the high-skilled level. Indeed, throwing sand in the wheels of the recruitment process may be a deliberate strategy to make employers think twice about hiring workers from overseas into less-skilled jobs if there are feasible alternatives. However, concerns about exploitation and underpayment of workers are significant in low-skilled work.

The trade-off involved in choosing employer-sponsored vs. worker-driven options at the low-skilled level is thus primarily between the ability choose which jobs get filled by migrant workers and the risks of underpayment or exploitation.

The caveat is that at least in theory, well-regulated and carefully overseen employer-sponsored work permits could be used to require higher standards of employers (e.g. regulated wages above the legal minimum, or other conditions such as guaranteed minimum hours or housing). As a result, one's judgment as to the importance of this trade-off will depend on how much faith one has in the government's ability to enforce labour standards.

Implications for migration policy after Brexit

What does this tell us about the implications of the immigration White Paper proposals? If the government wants to introduce a 'skill-selective' labour immigration policy that prioritises migration into high-skilled roles, employer selection is probably the only realistic option. Particularly for EU migrants, selection of skilled workers based on the worker's qualifications confronts the problem of over-qualification: only just over half (56%) of EU-born workers who arrived since 2004 and who were in full-time education until at least the age of 21 were in high-skilled or upper-middle skilled jobs in 2017 (Appendix Table 1).

Moving to employer sponsorship in high-skilled jobs will almost certainly mean lower numbers of high-skilled workers from EU countries than would otherwise have been the case, although exactly how much lower is very difficult to predict. The White Paper also proposes some liberalisation of the Tier 2 (general) work route through which high-skilled migrants would be expected to arrive, including a reduction in paperwork; so taking the proposals as a package, one would also expect some of the reduction in skilled EU migrants to be offset by an increase in non-EU skilled migrants.

At the low-skilled level, the government's avoidance of employer-sponsored routes certainly has some benefits. Specifically, it avoids giving employers a dependent workforce with limited ability to move to another job, while reducing the administrative burden for employers who use the route. The proposed system at the low-skilled level is thus arguably better for workers than an employer-sponsored route. There are of course winners and losers – the losers being industries that are least able to attract workers into low-wage jobs (unless the government steps with a separate scheme for those employers, as it may do in the case of agriculture). And there may also be a political cost: by relying on the market to determine where workers want to go, the government loses its ability to emphasise that only specific shortages are being addressed.

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Appendix Table 1: Percent of workers who were in upper-middle or high-skilled jobs (UK-born and foreign-born arriving 2004 or later), 2017

	EU born	Non-EU born	UK-born	Total
Left full-time education under age 21	44%	32%	19%	23%
Left full-time education age 21 or later	56%	68%	81%	77%
Total	100%	100%	100%	100%

Source: author's analysis of LFS, 2017. Note: skill categories defined as in Table 1. Excludes people who were still in education or with no response to education leaving age question.