



Home Office UK Border Agency

**Consultation by the Migration Advisory Committee on the level of
an annual limit on economic migration to the UK**

response from BT

3 September 2010

Question 1: What factors should the MAC take into account, in order to inform its recommendations for Tiers 1 and 2 in 2011/12, when assessing the impacts on migration on:

- **The economy**
- **Provision and use of public services; and**
- **Wider society**

Background information

BT employs more than 100,000 people, 80,000 of whom are in the UK, with just over 20,000 in our overseas offices; we have a presence in 170 countries worldwide. As such, we often require movement of key personnel in and out of our UK headquarters, and a severe restriction of that movement will be detrimental to our business as a whole, and therefore to the UK economy. Our international assignment programme has 3-400 assignees, 20-25% of whom are UK based.

Interim measures adopted by the UK Border Agency to reduce net immigration are already inhibiting our ability to conduct effective recruitment and to manage our existing migrant workforce.

To protect the roles of our existing UK employees, BT committed to reducing recruitment in financial year 2009/10. However, we predict increases for financial year 2010/11 and current resource plans indicate recruitment for 1,381 new UK based roles, with another 1,689 new roles in our overseas offices. In 2009/10 those figures were 430 and 559 respectively. Additionally, we brought work back into the UK that had previously been outsourced, mainly to India, but also some HR processes that had been outsourced to Prague are now located in South Tyneside.

It is not, and never will be, BT's intention to recruit from abroad to the detriment of UK workers; in fact, BT continues to go to great lengths to protect the status of our existing employees. In 2008 BT established the BT transition centre to manage displaced employees across the business and redeploy them into new roles as quickly as possible. In 2009/10 we successfully re-skilled and re-deployed more than 6000 employees through the transition centre, of whom 96% remained with BT.

BT is very proud of the success of this programme and believes this shows our commitment to our existing employees and resident workers. BT recruits externally and may source migrant employees only when there is a specific business requirement that we cannot resource by upskilling and/or retraining current employees.

We recruit into a number of development programmes including apprenticeship, graduate and the fast track leadership schemes. These offer, primarily resident workers, the opportunity to join our organisation and build a career working with us. This year alone our Apprentice scheme attracted close to 100 applicants for each place on offer.

Economy and Economic Contribution

When reviewing the impact of migration to the UK in the Tier 1 and Tier 2 immigration categories, the following items need to be considered:-

Tier 1 (General)

Tier 1 (General)/ HSMP migrants are the single largest group of employees without permanent immigration status; given that, BT has serious concerns regarding the suggested options for restricting this category.

Highly skilled migrants are globally mobile and provide a positive contribution to any economy. A pool process will likely discourage some of the most desirable applicants, as they may decide to move to another country where the barriers to entry are much lower. The pool approach adopted in

New Zealand applies to a far smaller resident and migrant population, so it is difficult to make a reasonable comparison to the UK with its large number of global organisations headquartered here. Any quota system is likely to make the UK a less attractive proposition for the most highly skilled migrants; a more effective approach would be to exempt certain migrants from the quota system entirely. This population of people is small, but its members have a significant positive economic impact on the UK. There is an ongoing demand by employers for these people and their presence would only help further economic growth.

We strongly believe that the following should be exempt:

- Senior Executives earning over £150,000 per annum.
- Highly skilled individuals with professional qualifications defining them as specialist or highly skilled within their industry; i.e. solicitors, accountants etc.
- Individuals with extraordinary or outstanding ability which is recognised in their professional field.

Highly skilled migrants provide organisations with different cultural perspectives and provide specialist understanding of global markets helping organisations like BT to review and expand into global markets.

Tier 1 (Post Study)

While not expressly included in this consultation, Tier 1 (Post Study) individuals have a large impact on Tier 2 (General) usage. Since the overhaul of the points allocation in Tier 1 (General), most graduate entrants are no longer eligible to switch from Tier 1 (Post Study) to Tier 1 (General) as individuals in a graduate level role typically earn £28-35,000 per year.

The economic impact on businesses who hire university graduates is that, having invested in non-EEA nationals on graduate schemes by providing years of training and development, they now risk not being able to continue employing them without a suitable transfer route into Tier 1 (General) or Tier 2 permits. With the interim cap, we now have employees who cannot extend into Tier 1 (General) as they do not meet the point requirement, but BT does not have enough COS allocation to employ them under Tier 2 (General).

Tier 2 (General)

BT sponsored few migrants under the Tier 2 (General) category in 2009/2010 due to a recruitment freeze and internal retraining initiatives. BT forecasts a substantial rise in recruitment during 2010/11 for roles where we are not able to retrain or source staff internally or in the local labour market. Our concern is that a restriction on migration will restrict our ability to employ the best candidates in the global marketplace.

Recruitment schemes such as BT's MBA scheme receive applicants from the world's best business schools; the physical location of the school bears no relation to the nationality of its students. We must be able to employ the best graduates available, regardless of nationality.

Tier 2 (ICT)

Any restrictions made to the Tier 2 (ICT) category will negatively impact on UK headquartered businesses. BT has 20,000 employees in overseas offices who must be mobile and able to visit the UK for training or to provide skills and experience gained from working outside the UK.

Since Tier 2 (ICT) migrants are no longer able to obtain settlement in the UK, any migration is for a fixed period of time. As the migrant cannot make the UK their permanent home, counting them in migration figures may not be appropriate.

From a corporate perspective these are not roles that are displacing UK workers and are fixed term by design because of the associated cost.

Provision and use of public service

Tier 1 & Tier 2 (General)

BT either provides private health coverage for employees and their dependants or gives them an option to purchase this via salary deduction. This benefit exists for residents as well as migrants.

Migrants in Tier 1 (General) and Tier 2 (General) contribute to the economy and pay tax and national insurance at the same rate as a resident worker. As migrant individuals do not have recourse to public funds, they are net contributors to the overall UK economy.

BT provides relocation support to migrant employees when they move to the UK, which means additional money is spent with UK shipping companies, temporary accommodation providers, retail stores etc; all additional income to the UK economy.

Tier 2 (ICT)

BT Employees assigned to the UK generally have comparative packages valued at 200-400% of that of a resident worker in the same role. Commercially BT only assigns individuals on an exceptional basis because of the increased costs attached to an assignee. UK Employers are able to self manage the numbers of Tier 2 (ICT) as the system works on the basis of supply and demand. As a guideline the average BT assignee to the UK receives:

- £20,000 in schooling per dependent child.
- £50-100,000 accommodation allowance.
- £3,000 utility bills reimbursement.
- Full international health insurance.
- £5,000 relocation allowance.
- Variable cost of living adjustment.

These allowances are in addition to standard salary and benefits.

Further, all benefits are taxable; BT paid approximately £4.5 million to HMRC in 2008/9 for tax relating to non-EU nationals assigned to the UK.

Money from these assignees is additional money into the economy, and given the level of benefits received, these families use less public services than a local resident as they have private health care and most children attend fee-paying international schools.

In addition to the tax paid for these employees, other benefits to the UK economy include:

- The value of funds spent whilst living in the UK on general living expenses.
- Extra revenue HMRC receive from VAT the individuals pay on any purchases they make in the UK.
- Three of these employees are subject to UK NIC, which totalled £56,289.89 in Class 1 NIC for the 08/09 year.

Wider Society

BT recruits into a number of development programmes including apprenticeship, graduate and fast track leadership schemes. These offer primarily resident workers the opportunity to join our organisation and build a career working with us. This year alone our Apprentice scheme attracted nearly 24,000 applicants for 221 places.

The skills that BT needs which necessitate employing Tier 1 and Tier 2 migrant are highly specialised roles that take many years of study and professional experience to achieve. If we must source these skills locally it will be a long term process of retraining and re-skilling the resident labour force to meet our requirements, placing us at a serious competitive disadvantage.

It is important that any drive by the UK Government to reduce net immigration first tackles the education system, which must offer the required skills and training at an appropriate level.

Statistical information provided in the MAC consultation paper by IPS shows that Non-EU entrants for the purpose of work accounts for only 24.1%.

The overall impact of reducing the number of these migrants will still not achieve the reduction the government suggests, but WILL reduce the number of those making the greatest contribution to the economy.

BT provides language and cultural awareness training to all international assignees, including those to the UK. We believe that it is important to provide employees with the tools to make their assignment as successful as possible.

BT, like many employers, has complied with the requirements of the PBS, including investment of capital and manpower in developing and maintaining a robust pre-employment process, and we remain fully committed to preserving the roles of UK workers wherever possible.

Question 2: How should the MAC measure or assess these impacts

The measures below should be considered when reviewing the impact of Tier 1 and Tier 2 migrants.

Economy

- Number of Tier 1 (General) migrants applying with a secured job offer.
- Review the number of Tier 2 (General) applications made for individuals in Tier 1 (Post Study)
- Review contributions made to HMRC from migrants in terms of income tax, National insurance and tax on other benefits.
- Review at a more gradual level the turnaround of Tier 2 (ICT) migrants (How long they stay in the UK).

Provision and use of public service

- Review the number of Non-EU individuals within specific immigration categories who have recourse to public funds
- Review the number of Tier 1 and Tier 2 migrants in receipt of employer benefits for items such as schooling and private healthcare
- Review the number of dependants in Tier 1 & Tier 2 who are employed

Wider Society

- Review the level of immigration compliance from employers and incentivise employers by the introduction the Highly Trusted Sponsor scheme.
- Review sponsors who already provide health insurance, apprenticeship schemes and re-training facilities to employees.
- Review what type of skills these individuals have to provide a more gradual response than simply reviewing qualifications and earnings, as this would enable the government to identify areas where perhaps they should be encouraging people to re-train.
- Conduct an impact analysis of number of illegal immigrants and overstayers as a result of changes to Tier 1, Tier 2 and Tier 4 categories

Question 3: How should the MAC prioritise, and balance the economic, public services and social impacts of migration?

The MAC priority should be to ensure the right factors to facilitate economic growth are considered. BT's priority is to remain competitive which means sourcing the right staff on to projects within a reasonable time frame at the most effective pricing.

An example of the economic benefit of UK based assignees in BT; there is a dedicated team which manages International Assignments and Global Mobility issues, in addition to external providers (tax, immigration lawyers, destination management firms, shipping, relocation providers). Assignees also have their own business support staff and often manage teams of employees. If these migrants were no longer able to come to the UK there would be fewer jobs for resident workers in these roles; which will suppress economic growth as jobs in these support roles may no longer exist.

If immigration restrictions are too severe then it may not be economically feasible to undertake certain work in the UK; such work would move to a location where delivery can be completed in a timely, cost-effective manner. If our third party suppliers cannot resource our requirements in the UK then we may likely be forced to move work to locations where the resource is readily available. The impact will be that some UK based jobs will be lost as projects are moved elsewhere.

Question 4: To what extent and how quickly can alternatives to employing Tier 1 and Tier 2 migrants, including up-skilling of UK resident workers, reduce reliance on such migration? What can Government and other bodies do to facilitate this?

BT holds its highly skilled migrants and sponsored migrants in high regard. These individuals undertake specialist and highly skilled jobs; they also provide another dimension to our workforce culturally and bring international experience to help our organisation identify solutions as well expand globally into new markets.

We often pay to relocate migrants we recruit on the basis that their skills and knowledge are in high demand and the contribution they make to our organisation is invaluable. Relocating migrants provides jobs to UK companies specialising in supporting these moves. Further, this movement of people does not exist in isolation and we send many of our UK based employees to other countries to undertake assignments to strengthen their skill set. For example, BT has a blanket E2 US visa which allows us to easily send UK employees to the US on fixed term assignments.

BT is an industry leader in providing training to our employees through development schemes like our apprentice and fast track leadership schemes. In tough economic times BT did not make redundancies and actively retrained staff internally to preserve jobs. We feel that employers which recognise and tackle these issues should be acknowledged on the occasions when we may require the additional skills of migrant employees for BT to be commercially effective as a global business. One risk of restricting immigration into the UK is if we cannot source the right skills to ensure delivery to our customers we need to consider the viability of outsourcing or relocating a project to a country where staffing requirements can be met.

BT and other employers can only be responsible for training and developing the labour market if the individuals possess the appropriate basic skills and knowledge to make training a viable option. We rely on the UK Schools, Universities and the Government to facilitate appropriate programmes to ensure the resident labour market can effectively compete with these highly skilled migrants. BT does provide a multitude of apprenticeship programs, internships, on-going learning and

development opportunities, etc, which is invaluable to our UK workers, and we remain committed to continuing to do so.

BT are keen to have a balanced mix of individuals in our workforce so we can promote diversity but employers should not be required to compromise on quality of staff to achieve this balance.

Objective

Question 5: What trends do you expect to see over the lifetime of the Parliament in no-PBS migration including of British and EEA citizens? Will limits on non-EEA migration affect this? Please provide reasons.

We have no comments on this question.

Question 6: The stock of main (non-dependant) migrant workers under Tier 1 and 2 is determined by (i) and (ii) extensions and switching between routes by migrants within the UK. If migration is to be reduced, do you most favour achieving this via cuts in (i) and (ii)?

If an individual is a migrant and for the basis of the statistical analysis is considered a migrant if they reside for over 12 months this questions whether switching or extending would actually have any benefit. In fact if an individual had to leave and then re-enter you could be counting this person twice as a migrant in the same year.

Cutting individual's access to this could result in an increase in overstayers and illegal immigrants. This increases the cost to the UKBA of having to identify and remove these individuals.

Question 7: To what extent should reductions in flows through Tiers 1 and 2 be met through reduced migration of dependants? Should dependant numbers be reduced by proportionately more than those of main migrants?

BT has considered any potential restrictions to dependants and we are concerned there are risks from an employment law perspective. A fixed quota on us that includes dependants is likely to impact on potential assignees with families as preferential treatment may occur as the business try to make the most effective use of our quota.

Single assignees will not receive schooling allowances and accommodation allowances would be reduced, resulting in less money into the economy and less money received by HMRC.

We are concerned that there could be issues relating to having to know about private family matters that could result in employment law or even potential human rights issues under Article 8 (Right to Respect of private and family life).

However, consideration could be made to whether dependants are necessary on short term assignments as most families would not relocate for under 12 months.

Trajectory

Question 8: What would be the likely impact on your organisation, sector or local area of reducing (from 2010) the number of main migrants through the Tier 1 general route 2011/12?

BT is committed to long term training and development of its staff and offers apprenticeship, graduate, MBA and fast track schemes. The apprenticeship scheme alone has attracted nearly 24,000 applicants this year.

Resource forecasting requires using development programmes in conjunction with skilled recruitment to tackle identified skill gaps, succession planning and natural attrition.

All roles are advertised externally only after confirming that we cannot fill the vacancy with an existing employee. If our successful candidate from the external market is a non-EEA national we are obliged under employment law to try and exhaust all immigration options available this includes Tier 1 and Tier 2.

If we cannot hire the prospective employee we would need to decline the candidate or considering locating the role in another country where permission to work is easily obtainable.

Question 9: What would be the impact on your organisation, sector or local area of reducing the number of main migrants through Tier 2 shortage, Resident Labour Market Test, and intra-company transfer routes?

- **Tier 2 shortage:** Reducing the number of these migrants will have minimal impact as currently none of our roles are included on the shortage occupation list.
- **Resident labour market test:** All our Tier 2 (General) roles are sourced using the resident labour market test and any restriction here would have a large impact to our ability to hire the best skilled candidates for our vacancies.
Employment law issues may arise from resident labour market test advertising requirements, where candidates who may apply will not necessarily be UK/EU/EEA nationals. Failure to consider those candidates, even when we do not have COS allocation to obtain a work permit, could result in indirect racial discrimination cases as we would be rejecting candidates based nationality and our inability to obtain a Tier 2 (General) permit.
- **Intra-company transfer:** Reductions under this route would have a major negative impact on our ability to source the best employees from our global offices and reduce the effectiveness of our international mobility programme.

If BT cannot bring existing overseas employees to the UK then BT may be forced to consider moving projects to other countries where ALL of our employees have the ability to work on them.

Question 10: The Government's objective is to lower net migration overall. If you are proposing small or zero reductions in migration through a particular Tier or route, through which Tier 1 or 2 routes do you think migration should be reduced instead?

- BT believes a review of the system currently in place at the border should be conducted to confirm how accurately individuals entering and leaving the UK are tracked. It is difficult to assess net migration without ensuring that leavers as well as entrants are counted. This also includes resident emigrants and EEA migrants.
- IPS data should be reconciled with to ensure entry status reflects their actual status. For example migrants entering to work or study (Tier 2 and 4) continue in employment or education; this is achieved by requiring regular updates and certifications from the sponsor.
- Increased efforts to ensure individuals who leave employers or education change immigration status and do not become 'overstayers'.
- Individuals that are here already under Tier 1 and Tier 2 are economically productive so it seems unreasonable to restrict extensions for these individuals.
- A more granular review should be conducted on "other reasons" and assess whether all other migration routes and their restrictions are sufficient and there is no information regarding these individuals work/study or provide economic or social benefit to the UK.

- The UK Border Agency/ Government should provide more substantive evidence for the necessity for reducing net migration. In addition it would be useful to see the analysis that determines why this should be set at “tens of thousands”. The government has not provided details of the key reasons for reducing immigration other than a manifesto commitment based on a generic public response rather than economic analysis.
- As an employer, we have noticed an increase in Tier 4 dependants working in lower skilled jobs in our organisation. Employers are not required to give resident workers preferential treatment to these roles as the individuals have the same right to work as local workers. The UK Border Agency may wish to undertake an analysis on whether Tier 4 migrants should always be allowed to bring dependants to the UK.

BT Group plc