



Home Affairs Committee

Oral evidence: Immigration: skill shortages, HC 429

Tuesday 20 October 2015

Ordered by the House of Commons to be published on 20 October 2015

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Members present: Keith Vaz (Chair), Victoria Atkins, James Berry, Mr David Burrowes, Tim Loughton, Stuart C. McDonald, Mr David Winnick.

Questions 76 – 190

Examination of Witnesses

Witnesses: **Neil Carberry**, Director, Employment, Skills and Public Services, CBI, **Howard Catton**, Head of Policy and International, Royal College of Nursing, and **Verity O'Keefe**, Employment and Skills Policy Adviser, EEF, the manufacturers' organisation, gave evidence.

Q76 Chair: Could I call the Committee to order and refer all those present to the Register of Members' Interests where the interests of members of this Committee are noted? Could I add for myself that my wife is an immigration solicitor? Can I start with you, Mr Carberry? You have had a busy day. You have just been to the Immigration Bill Committee, I understand.

Neil Carberry: Indeed.

Chair: We should have just had a recording of you played to us so you wouldn't have to answer any questions.

Neil Carberry: That was all labour market enforcement issues, so hopefully something slightly broader in this session.

Q77 Chair: I also welcome Verity O'Keefe and Howard Catton. We will come to you with specific questions. If I can start with you, Mr Carberry. The CBI has been quite critical over the Government's immigration policy as far as people wanting to come into this country, the missing skills concerns. Can you set out for us those concerns, briefly?

Neil Carberry: We live in an ever more integrated global economy. We welcome President Xi to the UK today. The stock of FDI into the United Kingdom now is £1 trillion. We are keen as a nation to be open for business globally and use our great strengths in universities and in engineering to attract companies to invest here, companies from here to build new capacity here. To do that you need access to the best skills from

around the world, both in terms of addressing skill shortages and being able to bring key members of your team to the UK.

Q78 Chair: Is that not happening now?

Neil Carberry: We now exist in a system where there are two primary issues. First, the message that is sent by having a one size fits all net migration target is that Britain is turning its back on skilled migration. Secondly, since June on a monthly basis that cap has been hit, so there are people not getting to the United Kingdom who would be coming in to do jobs that would be net contributing jobs and support investment in the United Kingdom. That is the core of our concern.

Q79 Chair: But rhetoric and speeches is one thing. I know that as an organisation you were critical of the Home Secretary's speech to the Conservative Party conference, but that is a political speech made to a political gathering. The Government's overall message, from the Prime Minister downwards, is that we are open for business and we do want people to invest here. Just down the road the President of China has arrived at Buckingham Palace, so we clearly want Chinese investment. Are you saying that British businesses are being put at risk because of our current immigration policy, in particular now that the cap has been reached?

Neil Carberry: Put at risk is very strong language. What I would say is that the CBI has offices in New Delhi and in Beijing. There is an assumption that what is said on immigration for domestic audiences is not picked up in markets around the world, and it is. There is clearly a very strong exports message coming out from parts of Government, and you mention the President of China's visit. Equally, my colleagues in Beijing, New Delhi and Washington are also reporting concern from businesses in those countries about whether you can get people into the UK, whether Chinese and Indian students can get into Britain's great universities. There is a potential brand damage. Secondly, at the moment a marginal issue because the cap was only breached for the first time in June, there is a sense that as the economy grows the cap will be hit month after month after month and all of the statements from Government to date are, "We are sticking with our target and, if anything, you can expect us to bear down more on skilled migration".

Q80 Chair: So the problem is the cap? We will explore this further, but in your view if there wasn't a cap it would be much easier?

Neil Carberry: We prefer a more nuanced approach that recognises the value of skilled migration to the UK.

Q81 Chair: Mr Catton, you must be very pleased that the Home Secretary has asked the head of the Migration Advisory Committee to put nurses on the shortages list. Does that mean that the RCN is now satisfied with the Government's policy as far as skill shortages are concerned or do you have any concerns about nurses having to leave because they don't reach the salary threshold?

Howard Catton: We are very pleased with the decision to put nurses on the shortage occupation list. I think we saw across the NHS key organisations and bodies, individually and collectively, requesting a change. The fact that the Home Secretary has responded to that is very pleasing and it means in the short term that those nurses who have come here since 2011, if they don't reach the £35,000 salary threshold, won't have to go home. We have contributed to and worked with the Migration Advisory Committee and will continue to do so.

Our note of caution would be that we don't think the nursing shortage is going to be resolved within the next few months. This is going to take longer to resolve. The cap, as it was, was creating both a recruitment and a retention problem. It was creating a recruitment problem because demand was outstripping supply but it also had the potential to create a retention problem because we do not believe that the vast majority of nurses would have reached £35,000 within six years. We think there is a bigger issue there to consider about just having a salary threshold to reflect skills. A newly appointed ward sister, for example, would start on about £31,000, 28 to 30 critically ill patients, same number of staff. So we think there is something to look at there.

Q82 Chair: We will explore this further in the next question. Verity O'Keefe, what are your concerns about the current situation?

Verity O'Keefe: For manufacturing engineering companies, skill shortages is one of the biggest issues. Four in five of our members say that they are struggling to recruit right now and they are across the board from skill trade technician level, all the way up to professional, so chartered engineer status, a lot of the engineering job roles that we see on the shortage occupation list for example. Companies are absolutely investing in the domestic workforce. We see strong recruitment intentions for apprentices, graduates, training existing employees, but the skills are not always there in the domestic labour market and companies sometimes have no other option but to look outside of Europe. It is costly and it is complex, so a lot of employers don't always want to pursue that route but they have no other option to do so.

Q83 Tim Loughton: Mr Catton, could we go back to nurses? What is your understanding of what types of nurses are going to be affected? There are obviously lots of nurses outside the NHS in hospitals and in the care sector as well, so this only goes so far, doesn't it?

Howard Catton: We train nurses to work in all sectors. Nurses are not trained just to work in the NHS or in social care. We train for all sectors and we see very strong evidence of shortage across all sectors. There are average vacancy rates of around about 10% but if you look into social care and care homes it can be much higher than that. We did some work on A&E and saw higher vacancy rates as well. So there is a shortage across settings for different specialities and also for particular grades. The numbers of specialist nurses and advanced nurses, say somebody who works in paediatric intensive care, have fallen over recent years so are a much more difficult to recruit skill set. We firmly believe that the answer to this is that we need to do much more to grow our own nursing workforce and aim for self-sufficiency.

Q84 Tim Loughton: I appreciate that. What I am asking, though, is do you think that the changes the Home Secretary has just announced will cover all those sectors? I agree with you that we can address the problem ourselves, perhaps, if we have a domestically-trained workforce, which is presumably still going to take some years to come through if the Government were to encourage that. In the meantime, where are most of these nurses coming from? Is it the Philippines or have we exhausted the European route where we have seen a greater inflow of EU member states nurses. If we now go back to the Philippines, is it solved, basically?

Howard Catton: I agree. I think that we are seeing us coming to the end of recruitment from EU countries. Spain, Portugal and the Republic of Ireland have been really important source countries but we know from our sister associations that they are starting to report that they are struggling to fill their own vacancies as well. So we think the EU is going to start to dry up. If we are looking beyond the EU, the Philippines and India are the two big countries that we are recruiting from. There are some early signs that we need to be careful with the Philippines, that there are some shortages emerging there. I think India is likeliest to be a bigger potential source country for us, but we are also seeing signs of a global shortage from a number of different countries. The impact, potentially, of ObamaCare in the US is reported to be difficult; shortages in Australia and China are being reported as well. In the past it has been relatively easy to recruit nurses from other countries but we think that is unlikely in the future, which takes us back to self-sufficiency.

Q85 Tim Loughton: If the Home Secretary had not made these changes, we would be really struggling to poach more nurses internally within the EU and it might be at the expense of other EU countries if they couldn't afford to lend them to us as well. It had to happen, otherwise there would have been an acute shortage?

Howard Catton: I would say that if the changes hadn't happened, there would be the likelihood of more aggressive recruitment from Europe, but the other key dynamic has been the agency spend as well. What organisations have been doing is to look to recruit through agency, but you will be aware—separate, I know—there is an initiative to bring down agency spend. There is consultation and new rules taking place in relation to domestic agency spend, which will cap how much hospitals, not the private and independent sector but hospitals, can spend on agency, and that may drive more overseas recruitment.

Q86 Mr David Winnick: We are dealing with migrant labour, of course. Yesterday there was a debate, a rather unpleasant affair, as a result of a new procedure: if there are so many signatures on a petition it needs to be debated in the Commons, and no reason why not. But the petition said, in effect, there should be an immediate stop on immigration regardless, an absolute stop. It is not going to happen, needless to say, but in your views, what would be the effect on industry and on the health service if in fact that was implemented? Mr Carberry?

Neil Carberry: It would be a chill on business investment in the United Kingdom from a private sector point of view. If you look at our larger members and many of Verity's larger members as well, with sites across the world, maybe across Europe, and you need to set something up, you need to invest in it. Does it come to the United Kingdom? No.

Q87 Mr David Winnick: Would it be devastating for industry if in fact there was such a stop, or am I putting that too dramatically?

Neil Carberry: Businesses work within the political climate in which they exist. I am sure members would find ways to continue to trade but if you look at the UK's success over the last 20 or 30 years, it is because in the series of investment decisions that companies make—"Do I put this in Hungary versus the United Kingdom, in Germany versus the United Kingdom?"—the UK has typically done well because it has a relatively skilled workforce, it is relatively easy to invest, it has a flexible labour market and you can bring two or three key people from your operations around the world to support investment in the UK. A classic example of that would be the Japanese car makers who do not base car design teams in the United Kingdom because the plants only need a redesign once every decade or so, but they bring a large number of staff in from around the world when they are producing a new model, who stay for three or four years and then leave again. Removing that ability would clearly damage the willingness of companies to invest in the UK.

Q88 Mr David Winnick: On the health service, Mr Catton, if nurses were not recruited to this country, what would be the effect?

Howard Catton: I think it would have a very severe and major impact on the ability of the health service to deliver a comprehensive range of services and also safe quality services as well. In the first instance I think you might see that waiting times increase and there is a restriction on access to health services because the labour pool, effectively, is limited. If that continues for a period of time I think that that undoubtedly puts pressure on the nursing staff that you have and that contributes to stress and burnout and can risk some nursing staff leaving as well. Hospitals are recruiting in the very significant numbers that they are, without any pun intended, not for the goodness of their health but for patient safety and patient quality of care reasons.

Q89 Mr David Winnick: Some of the people who remain adamant about this business of stopping all immigration immediately could well be adversely affected if what they wanted came about?

Howard Catton: I believe so, sir.

Q90 Mr David Winnick: Is there anything on which you disagree with your two colleagues, Ms O'Keefe?

Verity O'Keefe: No. I agree and just picking up on Neil's point about investment, we are already seeing that happening, that having an effect on the current migration policy and the rhetoric around it. A large chemical company I was speaking to recently said they have decided to set up a site in Singapore instead of in the UK because access to skills is a lot easier, and within that Singapore site they are also setting up a training academy. So they are training in Singapore whereas that investment could have happened here and we could have also been training the domestic workforce here.

Q91 James Berry: As you know, under the Tier 2 process the sponsor, whether it be a hospital or a care home, has to advertise the job in the UK to the UK market for a certain length of time. What I am hearing from local nursing homes and hospitals is that they do that, as they have to, but potential domestic applicants simply are not applying and that is why they are having to go to the international market. There are plenty of people in India and the Philippines to apply who want to come here and work. I have no objection to that, but why is it that people from this country are not applying to be nurses in care homes and in hospitals?

Howard Catton: The short answer is that we have not trained enough nurses. Back in 2010 we started to reduce the number of training places for nurses in response to financial pressures and the drive for efficiency savings. Mid-Staffordshire happened and highlighted the tragic consequences of not having enough nursing staff. As a consequence, we have seen an increase in recruitment but the supply line has been cut, there are not enough there, hence leaving hospitals with the only options to go through agency or to go overseas. We have a history of recruiting from overseas. Back at the tail end of the 1990s and early 2000s we recruited in really big number but more from non-EEA countries. To get ourselves out of that muddle, we had to train, at its high point in 2004, just shy of 25,000 nurses a year. Our training numbers planned for this year are still only at around about the 20,000 mark.

Chair: What would be helpful, Mr Catton, is if you could send the Committee a note on the figures—we don't expect you to have them all—as a result of Mr Berry's question of how many places were available and where the shortage is.

Q92 Stuart C. McDonald: I think, based on what you have all said so far, you would reject the Home Office analysis of the objectives of the cap, which it says is, "To ensure that we only grant visas to those who have the skills we really need in our economy". Would each of you scrap the cap altogether? Secondly, putting the cap to one side for a moment, what would you say about the broad objectives of the other requirements for Tier 2 sponsorships? Does that also require fundamental reform or is it roughly in the right area?

Neil Carberry: I think businesses accept that they have a role to play in helping the Government deliver and manage the migration system and certainly businesses do not take the view that what we want is a much freer access system. There is absolutely a case for proper management in the skilled tiers. The issue that our members have with the cap is it is a one size fits all, unnuanced approach when the people that we are dealing with here are relatively well paid and, through both the tax they pay on their salaries and through the NHS charge, are very likely to be reasonably significant net contributors. Because of that, what we would like to see is a move away from a hard and fast target, much more clarity around what is the appropriate salary level—we have discussed with the Home Office the possibility of moving to narrower salary bands as one potential thing that could be done to allow the system to wax and wane—resting more heavily on the work of the Migration Advisory Committee on shortages. But broadly I think the concern in the country about migration is not about these people. These are the most economically valuable people in the system. A significant part of it at the moment is in Mr Catton's concern. A very large part of Tier 2 is nurses for the NHS, so it is a public and private sector issue. What we

would like to see is the value of this particular route recognised publicly and the fact that it does support jobs for UK workers, as Verity was setting out.

Verity O'Keefe: I think that we are now feeling the effect of the cap. I am no immigration lawyer, but since June I have had companies come to me and say, "I don't know why we have been rejected. In previous years I have managed to get the same employees job roles come through and now it is just a no". I think that the salary threshold probably had something to do with that, which is why Neil said the Home Office is looking to review that. Companies are perplexed by the fact that the Migration Advisory Committee has been tasked by the Government to look at restricting intra-company transfers. These are global companies. They send their UK employees out to other countries just as much as they do. It is knowledge transfer a lot of the time and I think restricting that will absolutely impact on investment decisions.

Howard Catton: Briefly, we think there are about 20,000 registered nursing vacancies being advertised in England at the moment, and clearly at cap of around 20,000 is going to create a problem in terms of demand outstripping supply. What we would like to see is a move away from just a sole focus on the salary threshold, because £35,000 for nurses does not reflect the broad range of skills and expertise that those folk have, what they contribute not just to keeping the health service going but keeping the economy going by getting people back to work. It is a three-year preparation. This is a group of people who we regulate as well because there is a risk of patient harm. So we think a broader set of factors than just salary would be helpful.

Q93 Chair: What you are saying to this Committee is that the cap is there and you understand why the cap is there but you think it should be more flexible, there should be a flexible cap, or are you saying we should not have a cap? A very quick answer.

Neil Carberry: We are in the position now where we are heading rapidly towards having to make a choice between nurses for NHS hospitals and engineers to keep our great manufacturing industry on the road. That seems to us to be a ridiculous position.

Q94 Chair: Indeed. So there need to be subheadings. The Committee has just had a letter from someone who is trying to bring in a tabla player, which is a little drum-like instrument from India, and they can't bring this person in because all the certificates have gone off to business or nurses, so it is totally inflexible. So you want a cap but it needs to be flexible or it should have subheadings?

Neil Carberry: The judgment should be based on the individual's contribution to the UK when they arrive in terms of salary but also skill shortage addressing, global mobility. ICT, is very important, as Verity said.

Q95 Chair: Verity O'Keefe, keep the cap but make it flexible or what?

Verity O'Keefe: We would like to see the cap go I think, because it is also that perception issue. We could argue whether it is a perception or not, but if at the moment it is turning

away skilled engineers and nurses that we need then it is obviously not fit for purpose and to say we need to maintain this cap for the rest of the Parliament—

Chair: Mr Catton?

Howard Catton: The cap is very problematic at the current time because demand for nurses is extremely high and because of the salary issue that I have mentioned. If we fix our supply line, if we move to a place in five, six or seven years where we are training 90% of our own staff we might be able to revisit it, but at the current time I think it is very problematic for the NHS.

Q96 James Berry: What aspects of the Migration Advisory Committee review give you particular cause for concern? I say that because you have already prefaced some. What do you think of the proposal that the minimum threshold for Tier 2 be raised to 20,800?

Verity O'Keefe: On the salary threshold, we have mapped our own pay benchmarking that our members use to make sure that they remain competitive with proposals to increase the salary threshold. What we found is that it will push certain companies out and they tend to be smaller companies. So there is quite a difference in that the larger companies might be able to absorb the costs and smaller companies won't. They just won't recruit and that will be an unfilled vacancy. I think the intra-company transfers restrictions will definitely impact; around a quarter of our members currently use them. There is always, of course, the skill surcharge, which was previously known as the skills levy until the Government announced a wider apprenticeship levy. The perception from employers is that they are now being hit by a double whammy there.

Neil Carberry: The most important and most concerning thing for our members, as Verity said, is intra-corporate transfers. It was the best decision made in the last Parliament by the Home Office to exempt ICTs from the numbers. That must be maintained. When you are talking about a company's ability to bring its own staff to bear on its operations in the United Kingdom, that far outweighs concern about any part of Tier 2.

Q97 Chair: Do you feel it is under threat?

Neil Carberry: The MAC has been asked to look at it.

Q98 Chair: Mr Catton, in answer to Mr Berry's question?

Howard Catton: In relation to the 20,000, there is a national pay system for nurses, Agenda for Change. The starting salary is around £21,500, so we just need to be very careful that that salary level doesn't breach the starting salary. In terms of a levy, we are concerned that this will be taking money out of an already cash-strapped NHS and we are not quite sure of the mechanics of how apprenticeships would work when it is registered nurses that we need. The sole focus on £35,000, as I have already said, means that nurses, without being on the shortage occupation list, would lose out to others.

Q99 James Berry: Would you support a differential cap, depending on the sector concerned? As you say, with nursing it is pretty well regimented what nurses are going to be paid so you could have a cap set to make sure it didn't chill recruitment of nurses from abroad. Would you support that in other fields where there are not industry pay scales?

Verity O'Keefe: I think we have got to be careful not to just assume that it is only because of skill shortages that we are recruiting from outside of Europe. Sometimes it is specifically recruiting non-EA workers for their skill level, expertise, and knowledge perhaps of that new market.

Q100 James Berry: That is a skill shortage, though, isn't it?

Verity O'Keefe: Sometimes it is cultural ties, selling things for export. We do see companies that are specifically looking to recruit outside of Europe and it is not just because they can't find the skills in the domestic labour market.

Q101 James Berry: But that is what the system requires and I think perhaps there is a misunderstanding. You say that you appreciate there is a need to manage migration. The purpose of this cap is not to attract foreign workers to the UK. It is to be part of a managed migration system and of course there is a public appetite for ensuring that immigration is controlled.

Neil Carberry: Coming back to your question, we would be concerned by anything that looked like the Government setting rules for business that they were not willing to apply to themselves in delivery of the public sector. I think the system should work for all. In our membership, the issue is not sector-to-sector comparison. It is wages being set nationally where there are regional and national differences.

James Berry: That is a very good point, which we are going to come on to.

Q102 Victoria Atkins: To Mr Carberry and Ms O'Keefe: Lord Green from Migration Watch has pointed out that there are something like 750,000 engineers in the country and he suggested that the cap has only really stopped 66 engineers coming into the country in one month. You seem to think it is a big problem. Why is there that difference between you and Lord Green?

Verity O'Keefe: First, I would say that there are companies that engage with the migration system but they don't actually get all the way to the end. A small firm in particular might think it is going to look outside of Europe or the best person for the job happens to be a non-EA national and they start going through that process but they don't get all the way through. It is very difficult and it is very costly, and small businesses who perhaps can't afford immigration lawyers might start the process and they don't always finish it. So, while that is not a visa that has been rejected, it is a recruitment process that has been started and it has not resulted in that company being able to employ the candidate that they need.

Neil Carberry: Just to build on that, we put a lot of work in immediately following the 2010 election to help the Home Office then achieve the goals the Government had set

themselves in ways that supported business investment. I think largely we got to a reasonable place in terms of the cap being set at a level that was well in advance at that stage of requirements and ICTs being carved out. As the economy has continued to grow and the labour market has got bigger and more people employed, the cap has proportionally shrunk as a proportion of the labour market and corporate demand has risen. So it is slightly disingenuous to talk about the number of engineers that have been kept out a point when we first reached the cap in June. The challenge for our members is they are now looking at the cap being hit every month for the whole of this Parliament if something doesn't change and that number will be significantly higher than 66 in fairly short order unless some action is taken.

Q103 Victoria Atkins: You have talked about small businesses, Ms O'Keefe. How has this affected small and medium enterprises?

Verity O'Keefe: They don't engage with the immigration system to the extent that large companies do. Generally speaking, about 11% of EEF members say they specifically recruit from outside of Europe. That drops down to about 6% for those with less than 100 employees, so it is actually quite a small number of companies and yet they are the ones that say they are struggling to recruit local quality candidates. There is the perception among small businesses, and perhaps a real perception, that it is very difficult and costly. A company will usually say that they spend around £4,000 to £5,000 on consultancy fees to bring in a skilled worker, and that is on top of salary thresholds that can be higher for engineering occupations, so you can see how the costs add up. It is a lot more expensive to recruit from outside of Europe.

Neil Carberry: It is spectacularly expensive. Large CBI members would budget well in advance of £1 million a year for this kind of work.

Q104 Victoria Atkins: Are there any occupations or sectors that have struggled particularly since the cap was reached?

Verity O'Keefe: We represent the engineering sector so I know from only our sector. As I say, we have a company that works in the defence sector that said in previous years they have brought over around 30 employees from the Philippines and this year, when they have tried again, to work on quite a short-term but high intensity project, it has been rejected. Also there has just been a general change of tone. A company said the UKVI has become a bit more heavy-handed in that they are cracking down a lot on auditing and if there is one small mistake that is enough to get a visa revoked. So, as well as what is happening with the cap, we are seeing quite a bit of a crackdown more widely affecting companies.

Q105 Victoria Atkins: Or applying the system correctly, would be another way of putting it?

Verity O'Keefe: Potentially. Sometimes there is a very minor error. We are all human and that sometimes that happens and there is a very short turnaround time for you to fix it before you have your licence taken away from you.

Neil Carberry: We have had one member whose application was turned down because it was stapled rather than held together with a paperclip. It is that kind of thing. It is worth adding engineering and IT but also the timing of the cap being hit has a very substantial impact on companies' graduate trainee schemes where they are doing Europe-wide graduate trainee schemes from the UK. That is just because June, July was the point at which the cap was hit.

Q106 Victoria Atkins: To which I would say, shouldn't we be looking to encourage graduates within the UK?

Neil Carberry: You get more graduates on these Europe-wide graduate trainee schemes if the scheme is in the United Kingdom. If you have to run your Europe-wide graduate scheme out of Paris or Frankfurt because you can't get people into the UK, the risk is that there are fewer British graduates taken on.

Q107 Stuart C. McDonald: We have heard a little evidence about differential impact depending on the size of business and also particular sectors, but you also referred, Mr Carberry, to regional differentials and impact. Could you say a little bit more about that?

Neil Carberry: It is always worth remembering that labour markets differ across the United Kingdom. As you know, Mr McDonald, there is a separate shortage list for Scotland. The CBI has always been sympathetic to the case for a separate list for Northern Ireland as well. One of the challenges we have had in the past Parliament is fairly swift moves on salaries for different roles, based on assumptions around salaries in certain parts of the country when in fact some technical roles will earn significantly less in, for instance, the Welsh valleys than they would in the south-east of England. It is just appropriate that the salary setting bears in mind the fact that people are hired all over the country. I remember acting for some of our members in the Scottish video game industry, for instance, trying to get IT workers into Glasgow where the wages are very different to other parts of the country.

Q108 Stuart C. McDonald: When the cap was hit and the effect of how we prioritise the applications that are going to get in under the cap, is that effect exacerbated because the salary requirement is artificially increased?

Neil Carberry: It would be, yes. Not unreasonably, I suppose, what happens is that you start knocking off people by salary. It is more likely that lower pay areas of the country are harder hit by that than higher pay areas of the country.

Q109 Stuart C. McDonald: How do you overcome that?

Neil Carberry: First and foremost, make the cap significantly more flexible. The complexities involved in having different pay rates for different parts of the country and especially policing whether, for instance, people have to work in Liverpool versus have to work in Cambridge is a stretch in terms of deliverability. It is far better to just make the cap more flexible so you are not knocking out these people.

Q110 Chair: As we come to the end of this session, just remind the Committee how many people came in last year on intra-company transfers?

Verity O'Keefe: Off the top of my head I can't remember, I am afraid.

Neil Carberry: I don't have the number to hand. I am happy to follow up. I believe it is in advance of 30,000.¹

Q111 Chair: So it is more than the number who are within the cap?

Neil Carberry: Yes.

Q112 Chair: That is your big concern, because if that goes then this is going to be a major problem for your companies?

Verity O'Keefe: Yes.

Neil Carberry: Yes. The logic of it is the same as students, and the universities have been very clear about the issue of students. Intra-company transfers come here for a period and then leave again. They are not the issue that the public is concerned about.

Q113 Chair: Mr Catton, in terms of the number of nurses in the country—and if you don't have this figure I would be very helpful if you could send it to us—how many are from outside the United Kingdom? What is the percentage of nurses currently who are your members or working in the UK who are from foreign countries?

Howard Catton: In terms of the totality of the workforce, I would need to send that to you separately, but the number that we have put out publicly, we asked how many nurses have come to the UK between 2011 and 2015 and it was 3,365 who had come from outside of the EU. Just to put that number in comparison—

Chair: It does seem quite small, 3,300.

Howard Catton: To put that number in comparison, we have had a very big effort in the National Health Service to get nurses who have left to return, a return to practice programme. It is a great programme and a lot of effort has been put into it, but to date it has only produced 1,500 nurses. The numbers coming from within the EU have been bigger in that same time period, around about 7,000 to 8,000, but for the reasons we discussed earlier, we think that the potential for recruitment across the EU is drying up, so outside of the EU is an important source.

Q114 Chair: If you could send us those figures. What are your views on post-study work, Mr Carberry? Do you think it should be restored?

¹ Note by witness: There were 36,635 intra-company transfers last year. This is the official figure published by the Home Office in May this year.

Neil Carberry: We are sensitive to Government concerns that what we should not do is allow people to have a long period in the labour market to do unskilled work after graduating. I think what is important is that there is a reasonable transition in place for people who have come to the UK and studied.

Q115 Chair: How long should that be? They finish their degree course; they have paid up to £60,000, presumably, over three years to study in this country. How long should they be allowed to stay and work?

Neil Carberry: Find a role at a certain level within six to 12 months and then be given time to build a bridge from Tier 4 to Tier 2 has always been our position on this, so that people who have come here and studied have a path to Tier 2 so that we keep hold of those skills that British universities have invested in. We understand the Government's position on a universal right to work.

Verity O'Keefe: We would like to see a post-study work route back. Around a quarter of our members have recruited a non-EA graduate in the past three years and they are saying it is getting increasingly difficult. Again, it is the small versus large company issue.

Q116 Chair: What do you think it should be, 12 months?

Verity O'Keefe: As Neil said, we need at least 12 months for them to look for a job and to secure that job and then have a transition period. At the moment, the turnaround is far too short.

Howard Catton: I wouldn't disagree with what my colleagues have said.

Q117 Chair: You see, the problem is this: most people expect students to come here, study and then leave. You know that there is a different story, that overseas students come here, they study, they then want to work and some want to stay. That is the problem, isn't it? It is finding the balance within those who want to stay forever and those who want to go back to their own countries. How do you find that balance?

Neil Carberry: I think the issue is that the test for students studying in the UK should not be over the medium to long term different from the test for Tier 2 visas, which is they should be heading for doing skilled work that companies and public service providers in the UK need. A bit of time to help people transition into that, because they are at the start of their careers, is very reasonable. That seems to us to be a balanced approach that does not go back to a kind of universal two-year right to do any job in the United Kingdom but equally does not say, "The minute you graduate you have got to leave and anything you want to come back here to do you have to apply for from your home country".

Chair: Mr Carberry, Ms O'Keefe and Mr Catton, thank you very much for coming in. We have given you a bit of homework and we would be most grateful if you would let us have those pieces of information as soon as possible as we are going to conclude our inquiry within the next four weeks. Thank you very much.

Examination of Witnesses

Witnesses: **Professor Sir David Metcalf CBE**, Chair, Migration Advisory Committee, and **Tim Harrison**, Head of Secretariat, Migration Advisory Committee, gave evidence.

Q118 Chair: Professor Metcalf, welcome back, and I think you have been knighted since your last appearance before this Committee, or maybe you have not been. Maybe you have had some other honour conferred upon you, but welcome back to the Committee. Mr Harrison, welcome. Your job has been made slightly easier this afternoon because the Home Secretary has put nurses on the shortage list. Were you surprised when she did that?

Professor Sir David Metcalf: There has been quite a lot of discussion, Chair, about it, as I understand, between the Department of Health and the Home Office, and No. 10 being involved as well, so I wasn't especially surprised. But I am very pleased that we, the MAC, have been asked to have a look, not necessarily with a view to endorsing putting them on the list but to have a look to see whether they should be on the list. Would you like me to elaborate a little bit?

Q119 Chair: Yes, indeed. Not for long but just succinctly.

Professor Sir David Metcalf: When we did the last review of the shortage list, of which the nurses was one component, one third of it, we took evidence from lots of different people but particularly the Department of Health and a body called the Centre for Workforce Intelligence, which is the body that distils all the health evidence. Neither of those institutions recommended putting nurses on the shortage list and, frankly, they must know their labour market rather better than the MAC can ever do. It is their job to do it and they didn't recommend putting nurses on. So at that time that was probably the right decision. It is possible that now putting them on actually is correct because, of course, as you were implying with your questioning to the previous three colleagues, they can't easily use the resident labour market test now because they don't earn the salary. So, in that sense the climate has changed and, therefore, putting them on may well be the right decision, at least pro tem. I think there are many other major issues in terms of what is happening on retention, whether or not we have family friendly policies and these sorts of things, which we will need to go into.

Q120 Chair: We have heard some evidence today that causes me concern, which is from business—and you heard the same evidence—about the possibility of intra-company transfers suddenly being included in the cap. We have some figures here that show that the number of people who came in under Tier 2 was 56,000 last year and the number who have come in on intra-company transfers was 36,000 and the cap is only 20,000. So if you get rid of that, that is going to cause huge problems for business, isn't it?

Professor Sir David Metcalf: I don't think anybody is suggesting getting rid of intra-company transfers. If I may, I would like to—

Q121 Chair: Industry is worried about it, so you can rule that out today; intra-company transfers are not going to be included in the cap?

Professor Sir David Metcalf: No, I didn't say that. I interpreted you as saying—

Chair: What are you saying then?

Professor Sir David Metcalf: —maybe we were going to recommend getting rid of intra-company transfers. No. When the MAC did the work on the so-called limits of immigration when the coalition Government first came in, we were expecting intra-company transfers to be in the cap. We did a four-year trajectory over the course of that Parliament. When we first did that—I can't remember the exact numbers—we were assuming that the intra-company transfers would have come in. At that time their number was 22,000. They have gone up in five years from 22,000 to 36,000, so the numbers are going up very quickly.

Q122 Chair: But there is no examination that you are doing at the moment to try to limit intra-company transfers?

Professor Sir David Metcalf: Yes, we are looking at intra-company transfers.

Q123 Chair: You are looking at it?

Professor Sir David Metcalf: We are looking at intra-company transfers in terms of—

Q124 Chair: Have the Government asked you to look at this?

Professor Sir David Metcalf: Yes, as part of the Tier 2 review.

Q125 Chair: So it could well be that one of your recommendations is to include them as part of the cap?

Professor Sir David Metcalf: I suspect that that is unlikely but there is more than one way of skinning a cat. You could limit by raising the pay thresholds, for example, if you wanted to. But there may well be a case. If I may, Chair, it is very important to understand that the cap, 20,700, only refers to two of the routes: the shortage list, which is actually very small numbers coming in, under 2,000, and the Tier 2 (General), which is the one where you advertise and then bring somebody in. There are all sorts of people who are not capped. The intra-company transfers is the major one but of course the switchers, students switching from Tier 4 to Tier 2, are not capped. Tier 2 dependants who then work are not capped. We are talking probably over 50,000 workers are not capped who are coming in like this whereas the cap only refers to the 20,000.

Q126 Chair: That is very helpful and thank you for clarifying that, but what do you say to the person who wishes to bring in a specialist tabla player. Tabla is a little drum. You have been to many functions, I know, in the Asian community. We will come on to chefs at the end, just because I think I have to ask you a question on chefs. She can't bring them in

because the cap has been reached and therefore for this skill, which is not really developed in our country and it has to come from India, she is stuck. What do you say to her?

Professor Sir David Metcalf: There is the route where you can come in via culture.

Q127 Chair: You are the Chairman of the MAC, you must know this. Mr Harrison, what do we do about this tabla player?

Tim Harrison: There are some occupations called the creative occupations, such as artists, musicians, dancers.

Q128 Chair: So there is no cap on that?

Tim Harrison: No cap on that.

Chair: So we just have to turn the tabla player into a dancer and they will be in?

Professor Sir David Metcalf: No, a musician would be right.

Tim Harrison: The numbers coming in across those five creative occupations are relatively low.

Chair: Good. We will come on to that later.

Q129 Mr David Winnick: Sir David, to a large extent it is Tier 2 that is the crux of the issue, isn't it? When we look at the other tiers it does not give rise to controversy: Tier 1, investors and so on; Tier 3, low skilled workers; Tier 4, students; Tier 5, youth mobility and temporary workers. So the controversy, as far as I see it—confirm or otherwise what I am saying—is the number coming in under Tier 2. Am I right?

Professor Sir David Metcalf: I think this probably the tier that attracts the most controversy, although sometimes there are quite a lot of issues to do with students, Tier 4. Tier 3 has never been triggered, so there is no controversy there at all.

Q130 Mr David Winnick: Would you say that the number coming in, skilled individuals, is essential as far as the manufacturing industry is concerned? I did refer to another witness to the debate we had yesterday, however unpleasant, where it was argued in a petition that immigration should stop, at least for two years, full stop. What would be the effect if that was to occur?

Professor Sir David Metcalf: I agree with Neil Carberry, the CBI representative, that it would have a very deleterious effect on British business. It would certainly affect universities very adversely, for example. It would also cause problems to do with family reunification, bringing spouses in. Just to do it in a blanket overall stop, I would have thought would not at all be a sensible policy.

Q131 Mr David Winnick: Regarding the discussions that you have had with the Home Secretary or other Ministers, what about the salary thresholds over Tier 2? Are you happy with the present figure? What is it now? £20,800 a year salary at least. Is that practical?

Professor Sir David Metcalf: It is probably a bit low. In the review of Tier 2 we have been asked to look at the salary thresholds and also whether or not there is undercutting by these skilled workers causing British workers to be undercut. We did an interim report at the Home Secretary's request, which was published in August, setting out our views on this and we said that there is no evidence of undercutting of British workers. We said, "On balance, please don't alter the pay thresholds at this stage because you have also asked us to look at something else, namely the immigration skills charge". It was originally called a skills levy but in order to not get mixed up with the apprentice levy it is now called the immigration skills charge. You can raise the cost of employing the labour by both raising the pay threshold and through the immigration skills charge. So we said, "Please wait until December so we have had a chance to look at the two because both of them will raise the cost".

You make the specific point about the £20,800. That came in at £20,000 around the time that the points based system came in, in 2007, and it was the lowest quartile, the person 25% from the bottom of the distribution, for people who have only got to A levels and above, that group of people, NQF3 in the jargon, National Qualifications Framework 3. Now the level is graduate level, NQF6. So my own view is that there is quite a strong case for raising the minimum threshold but, as you know, there are also occupation thresholds and they are presently at the 25th percentile of each of the individual occupations. There may well be a case for raising that. We need to ponder that and take the evidence, but in a sense you have a potential trade-off between raising the pay thresholds. If the firm then pays the immigrant the migrant gains and the immigration skills charge, which if you put the skills charge on instead the Treasury gains, and then you could use that for some more upskilling, or indeed for something else. That would be a matter for the Treasury.

Q132 Mr David Winnick: You answered the question about the debate yesterday, and that would be the general consensus undoubtedly, ridiculous, but were you consulted at all by the Government when they put forward the figures at the beginning of the last Government and reaffirmed, I believe, under this Administration, namely that the number of immigrants should be reduced from hundreds of thousands to tens of thousands? Was your committee consulted in any way?

Professor Sir David Metcalf: We were not consulted about whether that was a good thing or a bad thing or was it sensible policy, but we were consulted on how to get from the then figure, which from my recollection was net 230,000, down to the tens of thousands. In some sense that is where the 20,700 cap comes from. It was some work we did, but we were assuming that the intra-company transfers would be included. There was a complication at the time with Tier 1 and Tier 2. That is indeed where it comes from but we were not asked, "MAC, is this sensible policy?"

Q133 Tim Loughton: Notwithstanding the impending doom of the British tabla industry, as we heard about earlier, if we come back to the principle of the cap, what do you think the cap is designed to do?

Professor Sir David Metcalf: It is designed to demonstrate that you can limit immigration on certain routes. The way I have described it sometimes is you have got three different routes—study, family, work—three different geographic areas—EU, non-EU, British. So you have a three-by-three matrix, nine cells, each of those has an inflow and an outflow, so you have 18 flows. You can only really control three of those flows, non-EU inflows, completely, and so it is controlling something on the non-EU inflows.

Q134 Tim Loughton: So the intention of the Government ultimately is to reduce that inflow. Do you agree?

Professor Sir David Metcalf: I don't think the intention is any longer to reduce it much below 20,700, but we have certainly been invited in the commission on Tier 2 to see if we can come up with some policies that would reduce the numbers but simultaneously the commission says "but have an eye to productivity and competitiveness". So there is a certain tension there.

Q135 Tim Loughton: But ultimately the whole fuss around immigration is for the Government to be able to reduce the net numbers for all sorts of reasons. That is the bottom line, isn't it?

Professor Sir David Metcalf: Yes, absolutely.

Q136 Tim Loughton: What do you say, as we have heard from other witnesses, about the displacement effect that the cap is having where employers would take skilled workers from outside the EU with those qualifications that they want but because of the cap means it has already reached their limit? They are instead having to look for the same workers within the EU. So the numbers effect has no benefit in reducing the ultimate numbers, if that is the Government's aim, at all, does it? It is a displacement measure.

Professor Sir David Metcalf: Well, it might be to the EU but equally it might be to British workers. They may look to Britain as well. Yes, you are right, but I would make your point slightly differently. The numbers of 20,700 coming in under the cap is only a tiny fraction of the 600,000 inflow in the last net migration figures.

Q137 Tim Loughton: Sure, but you would agree from what you have said that if the alternative cannot be recruited in the UK, as is proving the case in many areas, then the numbers remain the same. It is just that they are EU skilled workers, to which there is no limit whatsoever, who may outweigh the numbers that can be recruited in the UK itself, as opposed to ex-EU skilled workers. So, in terms of a numbers game, the cap is fundamentally flawed.

Professor Sir David Metcalf: On the assumption that you can get the workers from the EU, yes, the logic of your argument must be right, the non-EU will get displaced to EU.

Q138 James Berry: Would you support broader changes to the Tier 2 visa system, including creation of exemptions for some public sector occupations? We have seen in the previous

evidence nursing in particular. I think the NHS is probably the biggest sponsor for Tier 2 visas and there is sometimes extreme demand in that field. I ask that in the context of the last three witnesses that you heard who were talking about a flexible cap. To me, it is more of a valve than a cap really; you either have a cap or you don't. Would you be in favour of more of a sector-specific approach?

Professor Sir David Metcalf: No, I wouldn't be in favour of a sector-specific approach because that takes you into manpower planning, picking winners and so on, and I don't see how you can do that. To answer to your question about exemptions, you alluded to the £35,000 when you were discussing with the RCN colleague. The £35,000 was a MAC recommendation from some time ago about settlement. It is quite a reasonable figure, in my view. It is not at all too high, but we said at the time there would have to be some exemptions and we specifically mentioned nurses. For example, there you would want to do that. I am not sure that you would want to exempt nurses from the cap, if you keep the cap, but it may very well be that if you raised the minimum pay threshold quite substantially you may then want to exempt some particular occupations and probably it would be public sector occupations.

Q139 James Berry: I sympathise with the task that you have because it is very much all sort of doom and gloom from industry, but the figures do show, Tier 2, 52,478 applications granted in 2014, which is significantly more than 2009, so it is quite a large number that have been granted and it is a number that has increased over the last five years. Whether that is sufficient to meet the needs of business is a different question but it is not as if you have put the clamps down. In fact, the numbers have gone up.

Professor Sir David Metcalf: The 52,000 includes dependants. But that is my point. The Tier 2 (General) has gone up a bit, we have moved to hit the cap, but the intra-company transfers has gone up from 22,000 in 2009 to 36,000 now. The intra-company transfers are not, as Neil Carberry was slightly saying, all Japanese auto engineers coming to install an assembly line at Toyota. The vast bulk are Indian IT workers coming in. Tata brought in 6,000 workers last year and then they do third-party contracting. It is all fine, but it is very important to understand that the route has changed completely compared with what it was originally designed for.

Q140 James Berry: Yes, they pick the best cases. Just to be clear, the Tier 2 (General) was 15,000, so 15,000 have just come on a Tier 2 application; 36,635 on intra-company transfers, so it is no small figure; and then 588 others; and then on top of that 38,247 dependants. So, overall it is quite a significant figure that has gone up.

Professor Sir David Metcalf: Yes, absolutely.

Q141 Stuart C. McDonald: We heard from the CBI today comments regarding regional variations in pay, which probably echo written evidence that we have received from the Scottish Government, the SDI, the Law Society of Scotland and various others. Is there a case for greater flexibility within the rule to reflect regional variations in pay, particularly now that the cap has been reached and so, as the thresholds increase, certain regions struggle to compete?

Professor Sir David Metcalf: We are looking at this. We have been specifically asked to look at it. Until the cap was reached, my answer would have been unambiguously no, because where you get the pay thresholds is at the 25th percentile, that has put the person 25% from the bottom in the occupation. That person is not going to work in London. You often hear we have to have a separate rate for Newcastle, a separate rate for Glasgow. Well, no, because the 25th percentile person will be drawn, by definition, from one of the lower paying areas. By and large, I am not in favour of regional variation. It also makes the whole thing much more complicated. But I think you are right, now that we have hit the cap—I think in July the minimum threshold was 46,000 and that has fallen now to 27,000 in the last iteration—there may well be a case for some regional differentiation in that. We are looking at that and we will report on that in our report in December.

Q142 Victoria Atkins: Just picking up on the overall minimum threshold being raised above £20,800, what impact would that have for graduate training schemes?

Professor Sir David Metcalf: In the interim report that we did, we argued for the graduate trainee schemes to be exempt from all of this. I think there is a strong case for just exempting the graduate trainee schemes. If you were to include them, you would have to have a much lower threshold.

Q143 Chair: Professor Metcalf, I don't expect you to carry around in your pocket the recommendations of this Select Committee but in a previous report, paragraph 46, we were responding and we were looking at your proposals to sell British settlement by auction. We said, "This process is riddled with difficulties and, combined with the reduction in standards required of those gaining citizenship, including limited or no English, will be a recipe for disaster". Today in *The Times*, which I am sure you have seen, under the heading "Golden visas lure dirty money to Britain", there are allegations that the Tier 1 investor route is being abused, that of the 1,173 visas that have been granted to those lucky enough to have £2 million to buy citizenship in this country, they found that half were Chinese and that this has now been the subject of a great deal of concern. Bearing in mind what we said and our warning to the Migration Advisory Committee about their recommendation and what has been said in the newspaper today, would you look at this again? We are concerned that something that we said would happen has happened and we are concerned about how people are getting these visas.

Professor Sir David Metcalf: As you know, Chair, we do not go off on a treat of our own. We have to get commissioned by the Home Office across Government to do the work. If I may say, I disagree with what you said. I have written that subsequently. You are not selling passports, you are selling settlement, but right now we are giving it away. We are giving settlement away.

Q144 Chair: Are we?

Professor Sir David Metcalf: Yes.

Q145 Chair: To whom?

Professor Sir David Metcalf: We do not charge anything. British residents gain almost nothing from this system.

Q146 Chair: I am talking about the golden visas, the Tier 1.

Professor Sir David Metcalf: No, I know. The 1 million to the 2 million, they buy gilts. We are paying the Russians and the Chinese to come here. We are paying them interest on the gilts. Then, when they get the citizenship, they get the money back. The British residents do not gain anything from this, and that was the motive for us suggesting—it did not necessarily have to be auctions—you could charge a certain amount for some settlement. Right now my own view, indeed, re-endorsing our report, which I am sure we would again—if you would like us to look at it and the Home Secretary commissioned us, we would be happy to do so—is the system is absolutely not fit for purpose because there is no gain to British residents whatsoever from this system. It is the migrant who gets all the gains.

Q147 Chair: That is a very important thing to say, and even though we cannot commission you to do this work, we might look at it ourselves and encourage the Home Secretary to write you a letter about this, but it is your view that this is not fit for purpose?

Professor Sir David Metcalf: Yes.

Chair: Very helpful. Thank you very much for coming in, as usual, and we are most grateful, and to you, Mr Harrison. Thank you.

Examination of Witnesses

Witnesses: **Rt Hon James Brokenshire MP**, Minister for Immigration, and **Sarah Rapson**, Director General, UK Visas and Immigration Directorate, gave evidence.

Q148 Chair: Good afternoon, Minister. Good afternoon, Ms Rapson. Thank you very much for coming today. To you, Minister, I know you have had a tough day on the Immigration Bill, so the last thing that you want now is to be questioned by the Home Affairs Select Committee. We will be as gentle as we normally are with you on these issues.

James Brokenshire: That is very kind, and certainly this is a busy day of scrutiny, which is always important in this House.

Q149 Chair: Indeed. Before we go on to skill shortages, could I raise just a couple of issues that are in the public domain? The first concerns the removal and deportation of asylum seekers. There were articles concerning the use of a Hummer stretch limousine costing £3,000 to ferry refugees from Heathrow Airport to Manchester. Obviously this is not done by the Home Office; this is outsourced. What are your views on the use of money of this kind to send people around the country?

James Brokenshire: I think it is worth underlining that this was one very isolated, single case that took place in July, but that does not mean that it is not utterly unacceptable, and that very strong view was given by my officials and also by me directly to the contractor concerned, Serco, at the time when we discovered that this incident had taken place. It is worth underlining, though, that in terms of the cost there is a specific contractual cost that is agreed with each of our contractors on transport issues, and to the extent that there was any additional cost over and above that rate, that would not have been met by the Home Office and it would not have been met by the public purse. It would have been met by the contractor.

Q150 Chair: But you were very clear that there is going to be no more use of stretch limousines to take people around the country?

James Brokenshire: This was completely unacceptable at that time and we have been very clear to our contractors on the duties and responsibilities that we expect of them in respect to these sorts of arrangements and how there should be no repetition of this incident.

Q151 Chair: Let us just turn to the removal of people by aeroplanes and the cost of doing so. One special flight cost around £250,000 and a single Moroccan was deported on that flight. The use of an entire airliner was commissioned to return 11 Afghans, who were illegally in this country, back to Kabul; a 265-seat plane taking just 25 Nigerians back to Nigeria. In total, in the 18 months to June, the Home Office has spent £14 million on chartered planes. Is this a good use of public money or do you intend to look again at the way in which these charter flights operate?

James Brokenshire: I will continue to look and am looking at the use of charter flights, but I think it is worth stressing that there will be some destinations where there are not regular routes in order for us to remove people. Indeed, there are some significant cases of non-compliance that equally mean that the safe management of people's removal may mean that chartering aircraft to particular destinations is appropriate. There are also—

Q152 Chair: When you travel abroad, and you have to in your job, and Mr Loughton did when he was a Minister, and even myself, although we had access to Government planes on certain occasions, we would not charter a flight costing £250,000 to go to Morocco, would we?

James Brokenshire: On the individual case that you highlight there will be exceptional circumstances, and I do not have the numbers to give to you in terms of the individual cost of that specific flight, although it sounds significantly higher than the charges and rates that would actually apply. That said, there have been a number of very isolated cases, and I think that if I look at the overall numbers that have operated since charter flights were started in 2001, it is a small handful where there may be situations where someone, because of their risk—in this particular case, the individual concerned had pleaded guilty to incitement to commit acts of terrorism on the internet—was assessed as a very high risk and it was decided that the safest way to ensure his removal from the UK was to handle it in that way, as I made a similar decision with the removal of Abu Qatada from this

country. There will be those isolated cases where, frankly, that is the most appropriate way, and I will not shirk from doing so in the national interest.

Q153 Chair: We sympathise with you. You have a lot of cuts coming on. A lot of people are going to have to be scaled back. It is just that the public will be concerned that so much money is being spent: £14 million on chartered flights, £30 million on scheduled flights, a big plane of 265 seats to take back 25 Nigerians to Lagos and Abuja. There is a flight every single day to those two cities. Will you keep this under very close scrutiny? The Committee is concerned about the amount of money being spent.

James Brokenshire: I can assure you, Mr Vaz, that this is something that we do keep under scrutiny. Will I look at load factors? Absolutely. It is of concern to me to see if there are aircraft that are not being fully utilised. I would add that sometimes that is because of some very late, last-minute legal challenges, which mean that injunctions are put in place almost as people are boarding the plane, and sometimes we are criticised for overbooking because of the uncertainty that that creates. Yet there is a dynamic that may mean that an aircraft is not fully utilised because we have had a significant number of last-minute injunctions that mean that 50 or 60 people cannot get on the plane at the last minute. There was one particular example last year where that did take place. It is absolutely something that we are keeping under active review.

To the extent that we are able to use more scheduled flights, that is something that we want to do. To the extent that we can encourage people to leave of their own volition, the Immigration Bill that we are considering around the corner from this committee room is very much focused upon that. There will still be a hardened core where, for safety or other reasons, it may be necessary to use chartered aircraft, but in the interests of good public expenditure it absolutely is something we need to keep under close scrutiny.

Q154 Chair: Finally, on matters that are currently in the public domain, I have just put a question to the Chairman of the MAC. Obviously you were outside. You did not hear his response. He told the Committee that he regarded the way in which these golden visas are given out to very wealthy individuals, that the system is not fit for purpose. I was chiding him because I said the Committee recommended that his idea of an auction was not the right approach, and he threw it back in my face by saying the system at the moment is not fit for purpose because people can just buy gilts, get paid the interest, and there is no benefit to the British taxpayer. The figures in *The Times* today suggest that more than half of the 1,173 golden visas were issued last year to Chinese investors at the same time when Beijing was trying to trace huge amounts of money that it believed had been stolen by corrupt officials. Are you concerned about the operation of the golden visa?

James Brokenshire: I am always concerned to ensure that we have rigour within our immigration system at the different routes, knowing that when we tighten up on one side, people will seek to exploit on the other.

What I would say in respect to the Tier 1 route that this is referencing is that visas are now subject to further scrutiny. We brought in number of additional measures to crack down on abuse. This includes requiring an applicant to have a UK bank account and, therefore, pass a bank's due diligence process before they are able to apply for their visa, and investors

cannot use, as they did before, loans to support the financial aspects of their application and have to be fully in control of their funds.

On the specifics of China, when I look at the first six months of this year, the numbers that I have are that there were 109 main applicants granted through the route, and of that, in the first six months, 17 were for Chinese nationals. They are the numbers that I see. On the general challenge on our vigilance against exploitation and abuse, absolutely. That remains in relation to all routes, but we have taken action with relation to this particular aspect.

Q155 Chair: The Chairman of your own advisory committee says that the system is not fit for purpose.

James Brokenshire: We obviously receive the Chairman of the Migration Advisory Committee's report as you were challenging him, albeit that I was outside of the room in respect to some of the recommendations, and we did consider that very carefully, and that led to a number of some of the further checks that I have highlighted. If there is further evidence that Sir David is referring to you in this Committee, I shall certainly make a point, following this Committee, to contact him directly to see what concerns he may have there.

Q156 Chair: Excellent. Thank you very much. Let us turn to skill shortages. We have specific questions on the cap and how the system operates. The CBI came to us today and told us that they were concerned about the rhetoric, the message that is going out from the Government, in particular speeches made by the Home Secretary at the Conservative Party conference and other messages, about how tough it is to be able to come here. What they were saying to us is that even though we all accept as politicians why politicians make these speeches, the message that goes abroad is that Britain is not open for business and that people are deciding to go elsewhere—Singapore and other places—in order to invest, rather than coming here. Is it still your message to this Committee that Britain is open for business and you want people to come here and invest here?

James Brokenshire: Yes, hence the discussion that we have had, for example, in relation to the Tier 1 investor visa into our country, and more broadly we have said that, yes, there need to be controls on net migration and the discussions that we have had over quite some time, Mr Vaz, with the Committee. We still remain open to attract the skilled, the talented, the brightest and the best to contribute to our economic growth. There has to be a recognition by industry itself of the need to focus on skills and the need to invest in skills, and I think that there is evidence we can point to on the fact that that has not been keeping pace with other countries to see that our own domestic workforce is given the best opportunity to meet those skills. Therefore, we would seek to ensure that that is where business itself remains focused, because I think there is still an overreliance on importing labour than focusing on some of the reskilling and some of that investment in our own labour market.

Q157 Chair: Sure. Let us turn to nurses. I think it was six days ago the Home Secretary decided to put nurses on the shortage list. Was it 15 October that that decision was taken?

James Brokenshire: It was there or thereabouts, you are right.

Q158 Chair: That makes your appearance here slightly easier, I would have thought. Does that now deal with the issue of the NHS or do you still think there are going to be problems with regards to recruitment? Are you getting representations that this is a crisis that is going to continue?

James Brokenshire: I think there are two points to make. Certainly, in terms of the system, it is important to say that this is a temporary measure. The Migration Advisory Committee has been asked to look at the employment market for nurses and, therefore, as you will no doubt be aware from your previous session, the broader work that they are looking at non-EU skilled visas, but specifically we have asked them again to look at nurses and the shortage occupation list. They last looked at that in February of this year, and we have asked them to look again in the light of the further representations, and some of the comments that they have made are the need for some short-term measures, which we have now responded to.

I think that the Department of Health itself is taking a number of steps with NHS bodies to train. There are currently more than 8,000 additional nurses on our wards since 2010, and around 50,000 extra nurses in training to fill permanent nursing posts in the coming months and years. I know that Health Education England has increased nurse training places by 14% over the last two years. I think that we do need to see that there is that engagement by the NHS employers working with the Department of Health to follow through on that because, again, I think that there has been an overreliance on foreign nurses to come and support that. Therefore, it is important that we retain that rigorous focus on seeing that training, that recruitment, and also, most importantly, the nurses that are already out there that could come back to the NHS. There is specific work that the Department is doing to attract those nurses back into the NHS itself.

Q159 Tim Loughton: As I say, can we just talk about caps and the theory of caps? What are the caps there ultimately to do?

James Brokenshire: What ultimately it is there to do is to provide a mechanism to limit the number of skilled work visas in terms of the Tier 2 general cap such that employers are more focused on the skilling and the manner in which they recruit, so that we have that element controlled from those people who are coming to this country from outside of the EU. That is achieved by the various requirements that we have or the resident labour market test if someone is not in a shortage occupation, and also the relevant occupation codes that the MAC advises me and the Home Office on on the types of professions that are filled within that skilled cohort. It is to ensure that people coming from outside of Europe are at that skilled level, but also to put in place a cap on the maximum number, reflecting in many ways the experience from the US, which adopts a similar sort of system.

Q160 Tim Loughton: Ultimately it is to contribute to the Government's aim of reducing the numbers for net migration? It is an element of that?

James Brokenshire: It is an element of that overall framework.

Q161 Tim Loughton: What we have heard from employers is that it is largely acting as a displacement measure. Where caps have been reached through other professions and they cannot recruit from outside of the EU, they are instead, if they cannot recruit domestically, recruiting from inside the EU, which is not subject to the cap. In terms of contributing to that net reduction, it is meaningless because it is just displacing non-EU skilled workers with EU skilled workers. Is that not what is happening?

James Brokenshire: The interesting thing on the numbers is that I was looking at the relative proportions of who was in skilled or nonskilled work, and the labour force survey from 2014-15 shows that around 56% of EU nationals in employment were in lower-skilled occupations. That compares to 46% for non-EU and 44% for UK nationals. I suppose the argument is saying we are seeing a huge displacement into EU rather than non-EU. Actually, EU labour has been more concentrated than the other cohorts on the nonskilled element of the job market. There is a separate discussion that we can have in respect to, for example, the manner in which welfare entitlement, the other attractiveness of the UK economy, the fact that we are creating jobs, how that is balanced off, but of course it is open to employers to seek labour within the EU to meet matters in other ways. Certainly not from the evidence that I have seen has been shown insignificant numbers, looking at those figures—

Q162 Tim Loughton: Those figures are slightly historic, but if they still pertain then there are two reasons for it, presumably. One is that employers are being more successful in recruiting domestically, as we hope would be the case, or, as appears to be more the evidence that we have heard, they are just not able to recruit. Therefore, they are withgoing some of those skilled workers that they want to recruit, who are higher value, on the back of whom many more people may be employed. Which do you think is, in practice, happening?

James Brokenshire: It is interesting, because it has only been in the last few months that we have seen the Tier 2 cap having been reached. It is only a relatively new phenomenon that we have come to this point. When you look at the overall numbers of, for example, grants that have been refused, that is around about 4,000. In the context of the number of occupations at that level of skill, which is around 8.4 million people falling within the cohort of the skilled range that we are talking about here, it does seem very strange if that case is being made out when you look at the relative numbers and the numbers of people being employed within that skill range within the employment market. Obviously I wait to hear or see the evidence that be being proffered, and indeed the Migration Advisory Committee, as you will have heard from the previous session, is looking at the Tier 2 mechanism as a whole, the way in which we have asked them to do that. They no doubt will be looking at this evidence very closely and I look forward to hearing their response.

Q163 Mr David Winnick: I wonder if I could ask you a question as a Home Office Minister, just one question not connected with the questions you are being asked. Can we be satisfied, Minister, that those who are protesting lawfully and peacefully at the moment and in the following days over the abuse of human rights in China will be allowed to do so, and there will not be any infringement of their liberty?

James Brokenshire: Mr Winnick, you and I have debated legislation in the House previously. I can recall some of the discussions we had under the Protection of Freedoms Act going back to 2011, where we debated public order policing and all of those issues. But absolutely, we are a proud country where freedom of speech and the right to protest is something that we have upheld. Indeed, some of the discussions that we have had previously around Parliament Square were very much about the right of being able to express an opinion, to express a particular perspective but doing so in a way that does not create disorder and does not create violence. It is that peaceful protest that I think we have ingrained and is one of the values that we celebrate as a country.

Q164 Mr David Winnick: I do not abuse the position, Chair, loudly to put that question, and I said it will be one question. I will leave it at that. Thank you, Minister, for what you have said.

On the position that we are discussing about Tier 2, is it possible that where someone comes in and leaves before the appointed time, it could be recycled so someone else could take up that position?

James Brokenshire: I think that is quite difficult. The reason I say that is because certificates of sponsorship may be for differing periods of time. They can be for up to five years. They may be shorter than that. I would rather focus on making sure that those that are being issued are undertaken appropriately. Ms Rapson, who is here alongside me as Director General of UK Visas and Immigration, may have some comments from an operational standpoint on that, therefore ensuring that we have a rigorous process on sponsorship. There is a mechanism whereby if certificates of sponsorship for an individual are not used, they can come back into the system. When we look at the situation of nurses, where there were around 600 of those certificates that were not used earlier in the year, they come back into the overall pool. I think that that is a better mechanism, rather than trying to chase down, “Has someone been here for two years rather than the three-year permission that they were here for under their Tier 2 visa?” I think that that is likely to be an inefficient use of resources in terms of how we best focus on this. Again, it may be that the Migration Advisory Committee will have different options, and we look forward to their recommendations.

Q165 Mr David Winnick: The very fact there is what is described as a shortage occupation list demonstrates that Tier 2, the system, does not always work sufficiently to meet the requirements of employers.

James Brokenshire: What it means is that there is an overall cap on the number that can be issued in one year, and I reference the example of the US as a place where they undertake a similar mechanism. They have a different route. They issue around 65,000 of their H1B visas a year, but they allocate them all at the start of the year, whereas we see that it is spread out during the course of the year to have a better smoothing effect with the prioritisation of the shortage occupation list, and also giving prioritisation to PhD-level employment as well. It is a different system but there are some similarities. I think that there is that flexibility, but ultimately there is a cap and that is there to ensure that the rigour in the system and the focus on skilling and training in this country is given appropriate emphasis.

Q166 Mr David Winnick: Could I ask you this question: when the coalition Government, as I understand it, after being elected as a party-only Government, to use that expression, reaffirmed the number of immigrants from hundreds of thousands to tens of thousands, I assume I am right that remains the objective. Am I right?

James Brokenshire: As I think I was asked in one of the previous sessions that I have been to in this Committee over recent weeks, the Conservative manifesto did state that the reduction from the hundreds of thousands to the tens of thousands remains our ambition.

Q167 Mr David Winnick: That is far from the position in 2015, which of course you have not challenged. My question is somewhat different. Do you, as a Government, consult, for example, the Migration Advisory Committee—I understand it was not consulted—and other bodies when it comes to manufacturers and those involved in recruitment of nurses and the rest? Do you say, “This is what we want to achieve. What is your response?” or you do not do that?

James Brokenshire: I think there is a macro policy response on net migration which covers not simply skilled employment. It can cover family settlement. It can have an accompany/join category. It can have dependants. There are a whole range of different categories that fit within that overall scope of the numbers that you have spoken about.

Q168 Mr David Winnick: Yes. I understand it is macro. It is a question of whether you consult.

James Brokenshire: Rather it is looking at the 30- or 40-year trends on net migration, where before 1998 net migration had never been more than 80,000 any one year, and since 1998 it has never been less than 140,000 in any one year. Therefore, it is rather on sustainability and the speed and rate of change that we make the argument for control and getting things back towards more the longer-term trend that had been seen prior to 1998, and that is what it is more focused upon.

Q169 Mr David Winnick: If you are holding the same position in 2020—and you may not be a Minister or you may be a much more senior Minister, who knows—how confident are you that you could come before this Committee in 2020, if it is desirable, that will be the subject of a different debate, and say that the objective of bringing immigration down to tens of thousands, unlike in the previous five years, has been achieved?

James Brokenshire: I think all I can say to you, Mr Winnick, is that that does remain our ambition, and we were blown off-course in the evidence sessions I gave to this Committee in the last Parliament by a number of issues, including the scale of EU net migration, which was a phenomenon that, frankly, has not been seen before in a 30- or 40-year period.

Q170 Chair: Yes. We have heard those anticipations before. It is your ambition, I think. That is the answer.

Could I put these questions to Sarah Rapson about process? We had some very strong evidence last week, Ms Rapson, from the Immigration Law Practitioners' Association about the way in which your audit teams are going in and dealing with people who hold certificates. As a constituency MP, I have had people come to me who have had their certificates removed. This is what she said about your audit teams, "Problems we have found on audit is incorrect understanding of right to work checks, so they have found fault with employers where there has been no breach. They have incorrectly found fault with reports not being made, but a report was in fact not required". She describes the audit team's understanding of the system as very limited, and that is why they make incorrect findings. As you know, there is no right of appeal in these circumstances, so what people tend to do is either write in again to the Home Office or they come and see their MPs. What can you tell the Committee today about the process and the importance of ensuring that people can be heard if there are mistakes made by the audit team?

Sarah Rapson: Thank you. I did have a look at the transcript from the ILPA witnesses that you had before you recently, and I have spent a bit of time with my team on some of those particular issues in preparation for the Committee as well.

Chair: Thank you. I am glad that somebody reads our transcripts.

Sarah Rapson: I felt duty-bound to do that, Chair. I think the first thing from an operational perspective is it is our job to make sure that we are allocating these restricted certificates to genuine employers with genuine vacancies that relate to economic growth, and we are making sure that we are not allocating to organisations or companies that are not genuine and the rigour is not there. All of the work that we do and the processes that we put in place are to make sure that we do that so the allocation is done in the right way.

In terms of our compliance officers, the field officers that go out and do the visits, the investment in training over the last year or two has been high. The professionalism of the team is improving. The team has had training, for example, last summer with the police on investigative techniques and how to run a more professional visit. I can imagine that a sponsor who had had a visit three or four years ago might feel like it was a quite different visit this time around. We try to use the intelligence and what we know about the individual sponsors to choose how to conduct the visits so—

Chair: All right, so their track record is important.

Sarah Rapson: Any evidence that we have about previous immigration concerns or not. We might, for example, send an individual on their own in business dress, on the one hand, and on the other hand, we might send one of my officers dressed in the more enforcement uniform with perhaps somebody from Immigration Enforcement and the police, and perhaps even sometimes from HMRC, depending on the nature of the business.

Q171 Chair: I think the concern that ILPA posed is that they have asked you quite a number of times—not you personally but the Home Office—for an idea of what training the audit officers received but this request has been refused. This is the body that deals with immigration solicitors. It is not a fly-by-night organisation. A lot of their clients must have come to them to complain. Would you not think it is right to set out what training they received, or could you write to this Committee and tell us the steps that have been taken to

improve the training? What it sounds like is when you took over, as with other things at the Home Office, everything was not perfect, but what you are saying is it is getting better.

Sarah Rapson: I think that is entirely right, and it will never be perfect, as I have said to the Committee before.

Chair: No. Nothing is perfect in this world.

Sarah Rapson: I do think that this has been a continuously improving process since the inception of these things in 2008, with some particular intervention made more recently, and it is becoming much more professionalised. I must say this is a more complex job than, for example, the compliance arrangements on the Tier 4 register, where it is much easier for a compliance officer to understand about the education sector, whereas in this part of the process it is all sorts of different sectors and industries and all the rest of it.

Q172 Chair: Exactly. That is why you need people who are properly trained. This is not something that involved Ministers, of course. This is an internal review. If somebody has had their certificate taken away—Rose Carey talked about unclear and unfair process—who do they write in to?

Sarah Rapson: If I could just finish the first point about the individual markets and the sectors, I think we could do more working with the industry experts to help our officers, as they are making their visits, learn more about the characterisation. A football club is quite different to a restaurant or what have you, so I think we can work with some of these organisations more to give our people a bit more information about it as they go in on these visits. I am very happy to do more on that.

Q173 Chair: How would you do that? What is your outreach to achieving that? It sounds like a very good idea. You have acknowledged that there is a gap here. How would you go there and try to make sure that happens?

Sarah Rapson: We do already have contacts with the organisations that have been witnesses in front of the Committee already, so I would look around and see who the experts were and reach out to them, which we will do.

On your second point about—I do not know what your word was—the reconsideration of the decisions that we make and the lack of appeal and so on, first and foremost, the quality of the decision that we make is really important to us. We much prefer to get it right first time than there have to be any sort of secondary process. There was a criticism of our process for there being two parts of it, so a visit by an officer and then a separate case worker. I would put it to the Committee that that is a strength because you have then two people involved in making that decision. You have two pairs of eyes on the same case. In terms of an integrity perspective, that is a positive, and in fact the Independent Chief Inspector has recently said in one of his reports he thought that was a strength of the process. There are points when we make decisions where organisations will not be happy and will want to challenge. In terms of an organisation wanting to become a sponsor for the first time, the decision letter is sent to them and there is a named contact so they can e-

mail the case worker who has made that decision, and organisations do, and if there is material information we will look at it again. I think that is a process that works quite well.

Q174 Chair: It goes how high up the chain? Obviously you are right at the top. We would not be writing to you. How high is that up the chain? Within the same department?

Sarah Rapson: It will be within the same department and part of the management of the individual team.

Q175 Chair: All right. Are you able to tell this Committee how many audit decisions have been overturned because of the review?

Sarah Rapson: For the pre-licence it is very small numbers.

Q176 Chair: Do you think that is what is causing concern, the fact that it is the same people in the same team, under the same management, reviewing decisions that are being made?

Sarah Rapson: I started off by saying there are two people involved in the original decision in the first place and I think that is really healthy. I would also say that where people do use the litigation system and do go for a JR, the numbers are tiny, and the decisions of ours that are not upheld are even smaller than that. I think the decision quality genuinely, despite what their officer said last week, is high. The visits are getting better. I think this is a system that is working well.

Q177 James Berry: The system at the moment is that someone comes in, there is an interview, inspection, a decision is made, and then the only option after you are refused is to write in, and you may be lucky, you may not be. There is not a clear system for how that is done. If the decision is not overturned, you have to go through a judicial review. It would be obviously preferable from the Government's point of view to avoid ever having a situation where you are challenged by way of judicial review because you would not be at risk of costs and the negative publicity associated. An alternative model would be to have a formal internal appeal level before you get to the judicial review stage, which is something that the Government does in a variety of different contexts. What would be the resistance to that?

Sarah Rapson: The fact that we have strength in the original decision is where my focus has been. The fact that both large organisations and small organisations can ask us if there is material information to overturn that decision, then that process is already in place. In terms of a suspension or a revocation of a licence, there is a 20-day period in between those two statuses where we welcome any additional information that we had not taken into consideration, and we would and we do decide not to go to the full revocation because there is more information being provided at that stage. There are periods of reflection at different parts of this process that I think do that job.

Q178 Chair: It would be helpful if you would let us have a note on that so that we can include it in the report.

Sarah Rapson: Sure.

Chair: Thank you for that.

Q179 Stuart C. McDonald: Minister, the fact that the Tier 2 cap has now been reached has brought into sharp focus the concerns that salary really is a dominating factor in determining who then is able to obtain a certificate of sponsorship. A couple of areas of concern arise from that: first of all, some key public sector occupations we have seen cannot compete there to obtain certificates; secondly, with some key growth industries, perhaps the technology sector, small and medium-sized enterprises again saying they cannot compete because salary is such a dominant factor in determining how these certificates are dished out. How do Government respond to those concerns?

James Brokenshire: There are a number of elements that you highlight. Part of this is how the operation of the shortage occupation list functions, and, Mr McDonald, you will know that there is a separate shortage occupation list for Scotland, for example, in terms of the list that is drawn up to reflect the needs of the economy in Scotland as part of the overall UK economy. It is the operation of the shortage occupation list.

I think those are genuinely interesting points. You are highlighting, for example, IT, that particular part of the economy. I hear some of those arguments, yet I look at the unemployment rate among computer science graduates, which is currently 11%, and it is consistently higher than any other degree subject. I think that there is something strange if we are seeing a high unemployment rate in an area where employers are suggesting that they are struggling to get the right skills more so than other graduates. Therefore, I would question how the linkages between—perhaps it is small employers and their access to the graduate market, to see that they are fully harnessing the skilled employment that we have in this country. Sometimes it is a little bit more complex than it might at first sight appear, but, to be honest, it is why we have asked the Migration Advisory Committee to go back to basic principles in relation to the operation of Tier 2 to look at the overall analysis of the employment market, as they are very skilled at doing, to advise us on changes that we may consider in respect to the overall situation, which is obviously something they are coming back to us before Christmas on.

Q180 Stuart C. McDonald: We will wait to see what the MAC says about that. Previously, the Chairman of the MAC in his evidence today expressed, I think, some sympathy with the idea that now that the cap has been reached, there should be or could be a case for regional variation also in terms of salary thresholds. Is that something the Government would look at sympathetically too?

James Brokenshire: I would say that the cap is now taking effect, but that is not necessarily the time to change it because if you have a cap, it has to be envisaged that that cap may be reached and there may be limitations on the number of visas that may be issued. On the regional salary thresholds, certainly back in 2011 on its report on the settlement threshold, the MAC could not see a clear case of differentiation of the income threshold between the UK countries and indeed regions, and having a single national threshold across the UK also provides some simplicity and clarity. Certainly data that I have seen, for example for Scotland, means that full-time earnings in Scotland are very

close to the UK average and are only higher in London and the south-east, and a regional approach could, therefore, lead to higher salary requirements for Scotland. I think it is a complicated issue. Again, no doubt it is something that if the MAC is now going back to look at this whole arena in respect hereto, they may give a different view on, but previously, admittedly in another circumstance, they had argued for the benefit of having national levels rather than sub-regional levels.

Q181 Stuart C. McDonald: Sure, but we are talking specifically now about circumstances where the cap has been reached and we might need to look again at regional variations, and you will listen to what the MAC has to say on that?

James Brokenshire: Certainly the MAC is looking at the overall salary thresholds and whether they are set at the right level in terms of changes in the economy, looking at the overall skill base. We will look with care as to what they say on this issue, but clearly we will need to ensure that there is clarity and certainty in the system, and if you go down a more regional approach it may make that harder to achieve.

Q182 Stuart C. McDonald: If you are looking for clarity in a system, isn't one of the fundamental problems with the cap that there is no clarity and there is no stability and it is impossible to tell from month to month whether an application is successful? An application refused today may well be successful in December. That is not clarity and it does not lead to—

James Brokenshire: There is certainty and clarity on the basis of the points that are allocated to the shortage occupation list, the revised points arrangements that we have put in place for each of the different salary bands to give the greatest flexibility based on the experience that we have seen over the last few months, and that is how we judge that we provide that certainty. If you are saying that we have to constantly redefine a system because a cap that has been reached has been reached, I think that is the wrong way to look at it. Now that the cap has been reached I do not think supports the argument to say that we should be changing the numbers or we should be changing it in that way. Rather it is looking at how the overall policy is focused on dealing with the most needed employees for the UK economy and also some of the issues of structural unemployment. I do not think it can be right that you simply put something on the shortage occupation list and it can sit there forever and a day. I would rather view in the terms of how we properly skill our own workforce, how the immigration skills levy that will be debated in the Immigration Bill is aided to reinvesting money back into skills and training and apprenticeships.

Q183 James Berry: Is it right that there is a dual purpose of the cap? One is because the Government are committed by the mandate to control immigration. As Sir David said, there are only three levers, the 18 routes of immigration that the Government can control and this is one of them. The other is to make sure that there is an incentive on employers to make sure that the economy is an increasingly skilled one so that the domestic workers are taking jobs in this country.

James Brokenshire: The Prime Minister has been very clear on this. He has said that in the past it has been too easy for some businesses to bring in workers from overseas rather than taking the long-term decision to train our workforce here at home. That top line from the Prime Minister really underlines the core of, for example, the instructions we have given to the Migration Advisory Committee to look at the Tier 2 visa structure and is that essence behind the policy. I think we would be concerned if there was not sufficient focus on skilling and training, and, as I think I have indicated, there is evidence out there that certainly suggests that the number of people participating in training courses away from their own workplace has fallen quite markedly since 1992. I can point to Eurostat data on the continual vocational training survey, which shows that UK workers undertake 20% less continuing vocational training on average than the EU average. When I look at those figures, it is about seeing that our industry and our business is focused on the skills agenda, as we very heavily are with our apprenticeships focus and certainly other steps that this Government are taking, that we are seeing that we are not getting pockets of skilled structural unemployment within the employment market and using the mechanisms and levers that are available to us to see that firms are properly focused on that skills agenda.

Q184 James Berry: There is a perception, whether it is correct or not, held by some people that some companies and some industries use foreign workers essentially to undercut domestic workers because they are willing to work for less. This skills levy will go some way to dealing with that. Do you think that the new national living wage will also have an effect there when migrant labour and domestic labour have to be paid at the national living wage?

James Brokenshire: As you know, Mr Berry, the new national living wage will start to be introduced from April of this year, with obviously the escalation and the objective to 2020 of having a national living wage of over £9 by that stage. In terms of the overall impact on the migration system, our analysis is on balance that we do not think that should radically alter the relative incentives, and that rather it is the domestic focus that the policy has. We will obviously keep that under close review, but certainly our initial analysis is that it is likely to be neutral in that fashion.

Q185 Mr David Winnick: Ms Rapson, I can only speak for myself and it may not apply to a certain colleague around my age group, but I have been finding the correspondence and the replies from your department are coming as they should be. Certainly no complaints, and I am pleased about that.

I take it that since you have taken over you have told the people who draft the letters—actually write the letters, presumably, as they do for Ministers—that they should get on with it, and obviously getting all the details and the rest takes time, but they do understand it is a matter of priority to reply to Members of Parliament who, after all, are not writing for the fun of it but on behalf of constituents.

Sarah Rapson: We have made it a priority since UKVI was created. When I started there were a number of MPs letters that were out of the 20-day service standard that we have for ourselves, and we are consistently well within that for all MPs.

Q186 Mr David Winnick: I am finding that, and that is why I am pleased. I have mentioned a colleague but I cannot speak for him. Insofar as there is any room for improvement, that would be your wish?

Sarah Rapson: We are all about continuous improvement in UKVI. We are not complacent in anything that we do, but I do think the service that we provide for MPs is one of our success stories, dare I say it to a Committee of the House. I was at customer service week last week or the week before and we had a whole host of case workers in to see our account management teams in Croydon, and I went to see them myself and told them how important they were. I think we have made a real fist of making sure that the service is through e-mail and telephone, as opposed to just the traditional letter, and the quality has also gone up, so I would hope that you have all found a difference for those of you that have been dealing with this organisation for some time. Thank you.

Mr David Winnick: I have found that myself.

Chair: I do not know who Mr Winnick is referring to is around his age group around this table.

Mr David Winnick: Not around this table here.

Q187 Chair: Not around this table. That is good. As you know, the Committee has recognised this, but we have also said more resources need to be put into the account managers' areas simply because that is our first point of contact. The Minister probably finds he is signing fewer letters to Members of Parliament than he did when he first became Immigration Minister because the system is working. Your commitment to ensuring that customer service is a priority of course reassures this Committee, but it is obviously the decisions that we want as well as the replies back.

Can I just ask a question about foreign students? In terms of the numbers going up and down, Chinese and Malaysian students have gone up as far as applications are concerned, but the figures for Bangladeshi, Indian and Pakistani nationals have gone down in the last year. The concern that some of us have is that students who have entered the country, who have applied to go to a particular institution, when that institution has then been closed down because it is a bogus institution, quite rightly so—we have been pressurising the Government to close down bogus institutions—they are then left in a limbo situation where they need to find another college to go to or they need to leave the country. Are you finding this a problem in terms of the numbers coming in, letters from solicitors, or is this not an issue? Ms Rapson, or the Minister.

James Brokenshire: Perhaps if I can take that first off. There have been cases that we know of where institutions have been closed and people have been affected. When we were in the midst of the ETS issues from last year we did set up a separate group working with the National Union of Students and working with our colleagues in the Department for Business to provide support to try to bridge some of those links and gaps between different colleges. To be clear, this was not in the university sector. It was more in the college sector that we were experiencing problems.

Chair: Yes, exactly.

James Brokenshire: Sometimes the challenges there were that some of the courses were much more short term and, therefore, the ability to move across to other colleges in that short interregnum period. It is something about which we keep in close contact with our colleagues at the Department for Business. If I have advice coming to me that a significant institution may be about to have its licence revoked, then I do ask that question on how we manage the impact on students who may be caught up in this, the ability to teach out in certain cases, and sometimes we have taken a licence away but allowed that institution to teach out. It is something that we keep under scrutiny and review on the practical impact of this.

You also highlight a more general issue on the relative differentials between some countries where we have seen growth in student numbers into the university sector, and numbers into universities continue to rise. On the issue of, for example, the Indian subcontinent, where there have been significant falls in the numbers that we have seen, it is something that I am in active dialogue with Jo Johnson, the Universities Minister, and indeed we are now setting up regular meetings with the Indian High Commissioner to respond to any misapprehensions.

It can be more complicated on the fees that agents charge as to which country people go to, the relative marketing that goes on. I hope, ministerial commitments permitting, to be able to travel out to India next year—I hope perhaps even with my colleague, the Universities Minister—to try to puncture some of the myths that are perpetrated around our visa arrangements, and also so that we can have discussions at that more granular level on some of the other challenges and issues that may reside and operate in the Indian student market that may be having an impact on those figures.

Q188 Chair: Sure. Ms Rapson, the onshore interviews here and now in Sheffield, is that now up and running, and people are being interviewed from Sheffield instead of having to go into the subcontinent offices?

Sarah Rapson: Yes, that is up and running. That has been up and running for a couple of years. When we really ramped up the interviewing from overseas, we set up the Sheffield operation about—

Q189 Chair: Is there no interviewing overseas now? It is all done in Sheffield, is it?

Sarah Rapson: Some of it will also be done overseas. The more in-depth with much more local knowledge required will continue to be done overseas on a case-by-case basis. In terms of all of the students from the different areas, they will come into Sheffield, which has been up and running from some time.

James Brokenshire: When I was in Beijing last year, I was at one of our visa application centres in Beijing and was able to talk to an interviewer from Sheffield from the visa application centre there to see how it operates in the real-time connections and the environment that students would go into.

Chair: Excellent.

James Brokenshire: Yes, those facilities are there.

Q190 Chair: As a result of that interview, they allowed you back?

James Brokenshire: They did. They did, and I was delighted about that.

Chair: Minister, Ms Rapson, thank you very much for coming in. Thank you.