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## EEF joint response with Squires Patton Boggs to the APPG on Migration – Post Study Work Route inquiry

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### Overview

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1. EEF, the manufacturers' organisation, is the voice of manufacturing in the UK, representing all aspects of the manufacturing sector including engineering, aviation, defence, oil and gas, food and chemicals. With 6,000 members employing almost one million workers, EEF members operate in the UK, Europe and throughout the world in a dynamic and highly competitive environment.
2. Squire Patton Boggs (UK) LLP ('SPB') is a global law firm with 44 offices in 21 countries and a client base covering all major business sectors. Combining forces with EEF in this joint response, SPB surveyed its UK client base and received a range of responses from companies operating within the manufacturing/engineering, professional services, advertising, IT/technology, renewable energy and food/hospitality sectors.
3. Skills are central to manufacturers achieving their ambitions on innovation, exporting and growing their business.<sup>1</sup> However growth plans continue to be restricted as companies struggle to access the skills they need. Three-quarters of manufacturers say finding employees with the right skills is one of their key business concerns and over half said it was their main concern. Moreover, four in five companies say they are currently experiencing recruitment problems.<sup>2</sup> Of the companies surveyed by SPB, all the respondents said that finding employees with the right skills is a current challenge.<sup>3</sup>
4. Manufacturers rely on the recruitment of graduates to help meet their skills needs, particularly those that hold degrees in the sciences, technologies, engineering and maths (STEM). Non-EEA students are included within this talent pool.
5. Government policy should not restrict this talent pool; however, it is our fear that current migration policy is doing just that. In particular, we are concerned around migration policy that impacts upon non-EEA students and graduates, especially those studying STEM subjects or who have graduated with STEM degrees.

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<sup>1</sup> EEF, the manufacturers' organisation, Manufacturing Outlook December 2013 – available on request

<sup>2</sup> EEF, the manufacturers' organisation, Skills for Growth (2012)

<sup>3</sup> SPB UK client base survey 2014

6. Of particular concern to manufacturers was the decision to abolish the Tier 1 post-study work route, which we believe should be restored. Alternatively, at the very minimum, the government should seek to explore potential avenues for international STEM graduates to stay in the UK for a period of time after they have finished their studies in order to secure employment. Of the companies surveyed by SPB, 75% of respondents stated that they had recruited a Tier 1 post-study worker and 88% said that they wanted this visa category to be reinstated.<sup>4</sup>
7. We also have concerns for the future. In order to meet the target of reducing net immigration to ‘tens of thousands’ we are concerned that government might seek to restrict graduate entry into the UK labour market, upon which manufacturers rely. Restrictions have already been placed on students undertaking in-study work, and we continue to call upon government not to make further restrictions in this area.
8. Moreover, we need to look at the bigger picture – the image UK plc is sending out to international students. The UK is a global leader in higher education provision, and we do not want to see this reputation hampered by migration policy. At a time where manufacturers are facing acute skills shortages, impacting their ability to win and fulfil orders, we need a migration policy that attracts as much highly-skilled international talent as possible, including STEM students.

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## OVERALL DEMAND FOR STEM GRADUATES

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9. The manufacturing industry will need almost one million workers to replace those leaving the industry by 2020.<sup>5</sup> Many of these posts will be graduate-level roles. Meeting this demand will be a great challenge. As the economy picks up, manufacturers’ order books are filling up and so they are seeking to recruit skilled employees. Unfortunately skills are scarce and this becomes a great challenge. Indeed the number of hard-to-fill vacancies in manufacturing increased from 30% to 2011 to 35% in 2013.<sup>6</sup>
10. Manufacturers are taking action, whether this is investing in the future talent pipeline by offering work experience, internships and sponsoring students through university or attracting entry-level talent – for example 64% of manufacturers have recruited a graduate in the past three years.<sup>7</sup>

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<sup>4</sup> SPB UK client base survey 2014

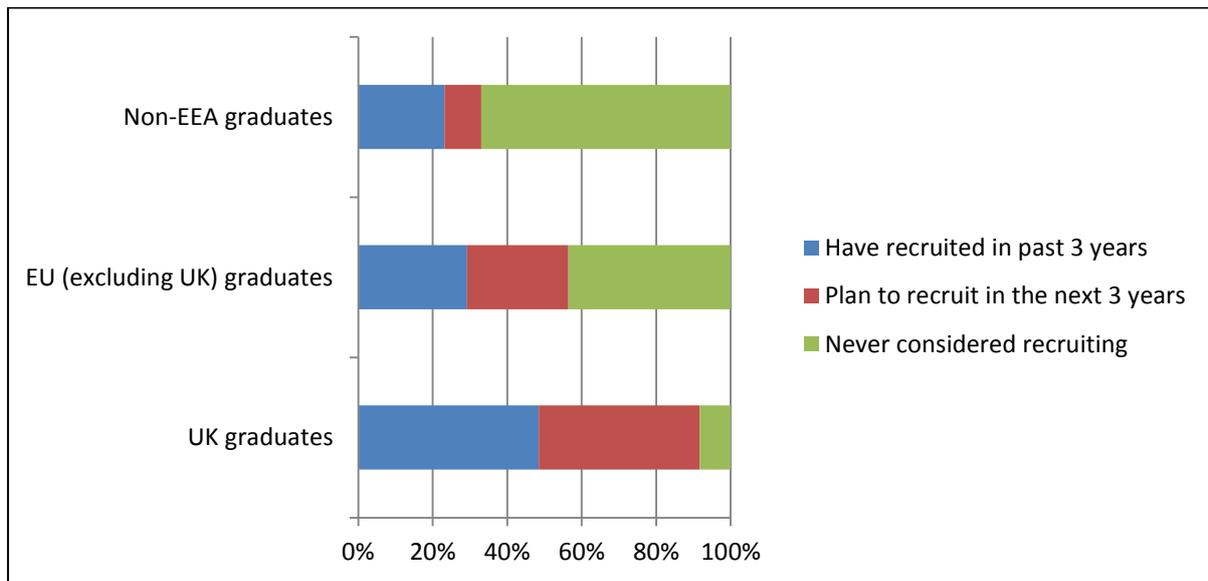
<sup>5</sup> Working Futures 2010-2020

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/303434/evidence-report-41-working-futures-2010-2020.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303434/evidence-report-41-working-futures-2010-2020.pdf)

<sup>6</sup> UKCES, Employer Skills Survey 2013 (2014)

<sup>7</sup> EEF Higher Education Survey 2014-15

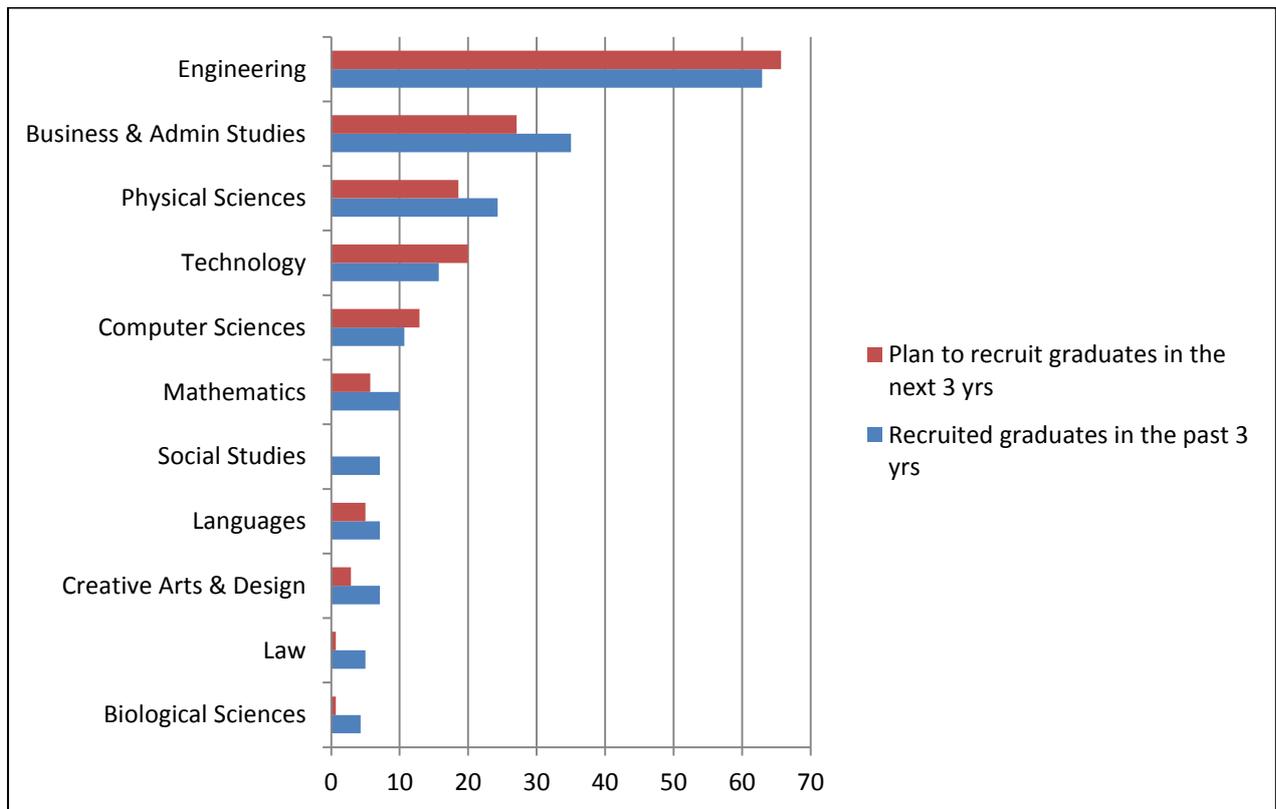
**Chart 1: Manufacturers are recruiting graduates within, and outside of the UK, % companies who have recruited or plan to recruit a graduate**



**Source: EEF Higher Education Survey 2013**

11. Whilst predicting the skills-needs of the future can often be difficult, manufacturers are acutely aware of the skills their businesses need, and therefore have a preference for specific degrees to enable employers to build upon these skills. Unsurprisingly, graduates most in demand from manufacturers are those that hold a degree in an engineering discipline, with 63% of employers saying they had recruited engineering graduates in the past three years and 66% planning to in the next three years. The remaining 'STEM' disciplines – the sciences, technologies and maths graduates, were also in demand, with a particular focus on physical sciences and computer sciences. (See Chart 2)

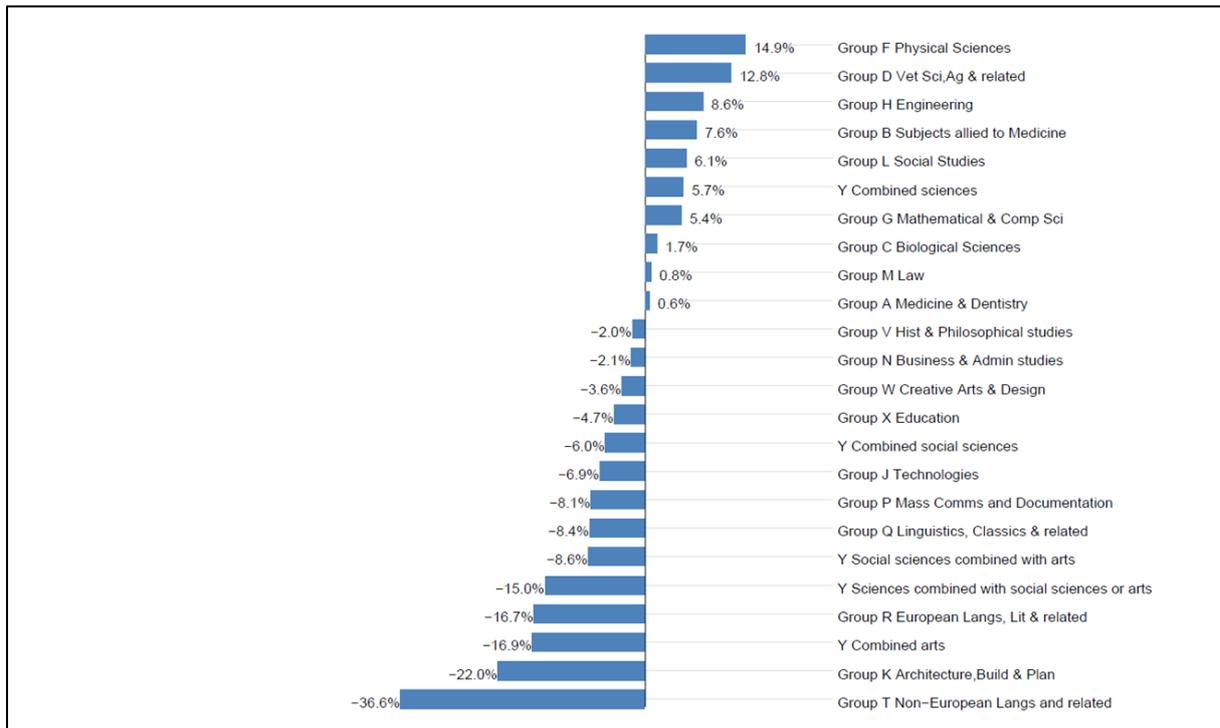
**Chart 2: Manufacturers demand for STEM graduates, % companies who have recruited or plan to recruit graduates.**



**Source: EEF Higher Education Survey 2013**

12. The main concern manufacturers raise is whether their demand will be met by supply. In recent years we have seen a positive upward trend in engineering applications. Indeed UCAS data published in 2013 revealed that the number of 18 year olds applying to study engineering at university increased by 8.6%. UCAS end of year cycle for 2013 shows that whilst there were 15,577 acceptances for engineering, this represents only 5% of all acceptances.

**Chart 3: Applications for engineering degrees has increased in recent years, Proportional changes in UK 18 year olds application rates by subject group (2010-2013)**



**Source: UCAS 2013 Demand for full-time undergraduate higher education (2013 cycle, March deadline)**

## THE IMPACT OF MIGRATION POLICY ON STEM SUPPLY

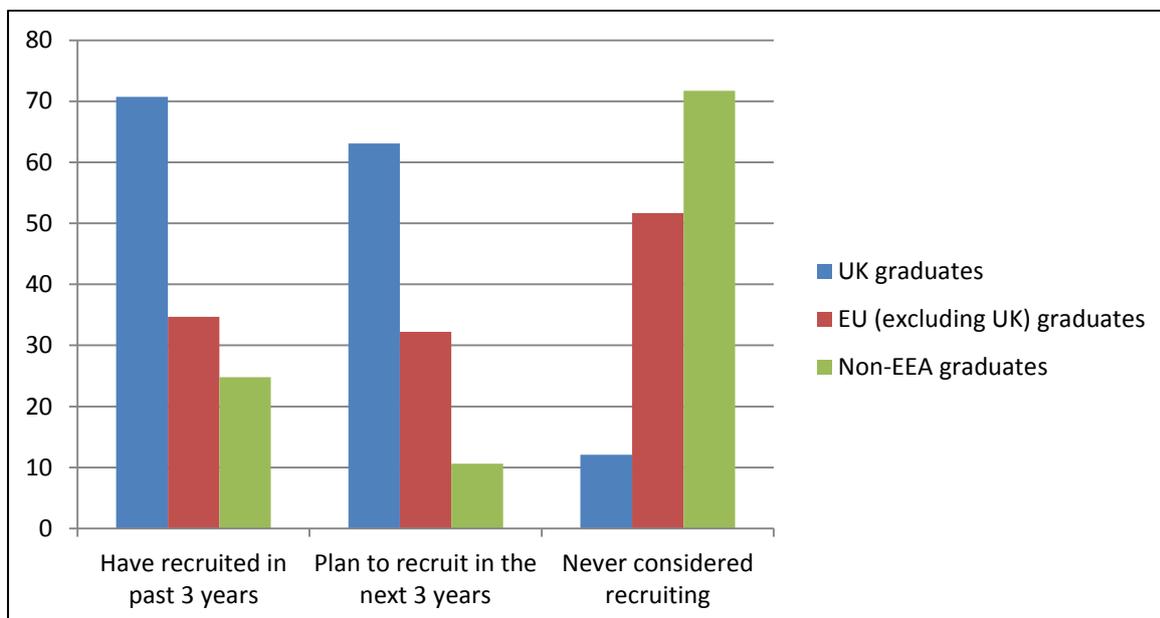
13. Whilst we can see then that the overall number of learners choosing to study STEM disciplines, specifically engineering, at university is on the rise, ensuring that this pipeline reaches employers is difficult due to migration policy. This is in addition to the numbers of STEM graduates that occupy non-STEM roles, with some moving into the service-sector for example where STEM graduates are also in demand.

14. Data from HEFCE has suggested that the proportion of international students from outside of Europe is particularly high in some areas of engineering. In 2011-12 at least 16% of students in all engineering sub-disciplines were international students. Moreover, international students accounted for 31% of undergraduate chemical engineers, and 22% of electrical, electronic and computer engineers.<sup>8</sup> If government policy restricts companies from accessing such students, manufacturers' difficulties to access skilled employees will exacerbate further.

<sup>8</sup> HEFCE, <http://www.hefce.ac.uk/whatwedo/crosscutting/sivs/data/domicile/>

15. EEF's own survey data shows that a quarter of manufacturers had recruited a non-EEA graduate in the past three years (See Chart 4) and of the companies surveyed by SPB, all of the respondents said that they had recruited a non-EEA national in the past three years. This is not always because of a specific preference to recruit a non-EEA graduate, but a result of not being able to access the skills domestically. However, manufacturers may seek to recruit from outside of Europe for specific language skills for example, particularly those that are seeking to tap into overseas markets. Indeed 69% of manufacturers expect demand for foreign language skills to either keep at its current rate or increase in the coming years.<sup>9</sup>
16. Only one in ten specifically plan to recruit a non-EEA student in the next year, with seven in ten never considering recruiting a non-EEA student. Whilst then manufacturers rely on international graduates, many do not tap into this talent pool. This is mostly likely to be the case if the company is an SME. This may reflect the negative rhetoric surrounding recruiting non-EEA nationals, or the real, and perceived hurdles in terms of the administration and cost of recruiting an international graduate.
17. Furthermore, the difference between those planning to recruit, and having recruited can also be explained by those employers who are not actively seeking to recruit a non-EEA graduate, but come to find that they are the best person for the job and therefore actual recruitment of international graduates is higher than the intention.

**Chart 4: Manufacturers recruit non-EEA graduates and plan to in the future, % companies who have recruited graduates or plan to recruit, by domicile**

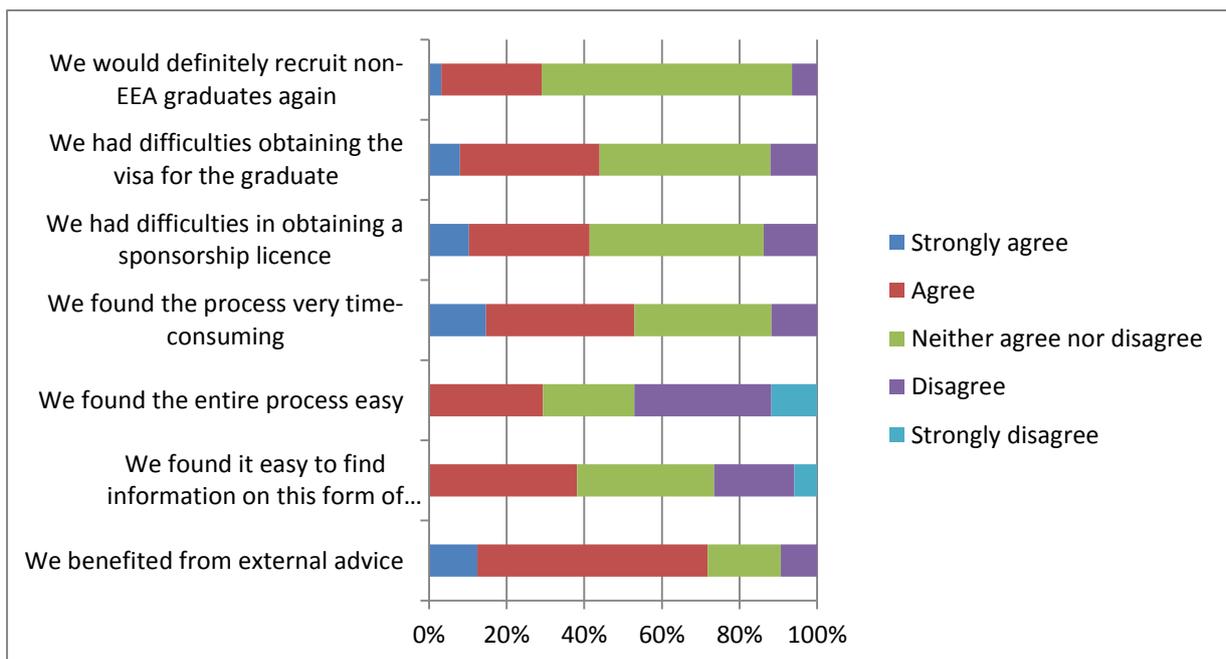


**Source: EEF Higher Education Survey 2013**

<sup>9</sup> EEF Skills Survey 2012

18. There is a real need for government to make it simpler for manufacturers to recruit non-EEA graduates, as this is currently not the case. Almost half of manufacturers disagreed that the process of recruiting a non-EEA graduate was easy, and over half (53%) found the process very-time consuming. Worryingly, four in ten companies said they had difficulties securing a sponsorship licence and almost half had difficulties obtaining a visa for the graduate. (See Chart 5)

**Chart 5: Manufacturers face challenges recruiting non-EEA graduates, % companies reporting ease of which they recruit non-EEA graduates**



**Source: EEF Higher Education Survey 2013**

19. Yet manufacturers clearly value non-EEA graduates as in spite of these difficulties, a positive balance of 22% of companies say they would definitely hire a non-EEA student again. This reflects the value of knowledge and skills that graduates from outside of Europe can bring to the company, and also the difficulties companies continue to face finding high-level skills within the domestic labour market. This is further backed up by the responses received from SPB’s survey, all of which indicated that finding employees with the right skills is a current challenge and that companies are having to look beyond the resident workforce in order fill current vacancies.

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## MAKING IT EASIER TO RECRUIT NON-EEA GRADUATES

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20. In EEF's Skills for Growth report<sup>10</sup>, we recommended that the government reinstate the post-study work route, widening the talent pool available for manufacturers. Since then, we have seen no movement towards considering this, and therefore the current consultation by the APPG regarding the closure of this category is welcomed by both EEF and SPB. Abolishing the post-study work route has meant that employers are recruiting from a smaller talent pool. This impacts particularly on SMEs and those companies which have not already obtained a Tier 2 sponsor licence (now a pre-requisite to being able to sponsor and employ non-EEA graduates). Non-EEA graduates from UK higher education institutions could previously transfer to a Tier 1 post-study work visa upon completion of their studies. This allowed them to remain in the UK for a maximum of two years to take-up employment, without needing a Tier 2 sponsor.

*"The proposed changes to the post-study work visa route are indicative of a Government that are failing to deliver a clear and logical immigration policy. Our company requires top-end engineering graduates and engineers to maintain our current status and to protect over 250 UK jobs. Often the best engineering graduates are non-UK/non-EU nationals and it seems irrational that we, as a business, cannot select the best candidate for a job because of their nationality. Furthermore, we spend a substantial amount of money each year on Home Office applications and the associated consultant fees."*

**Electrical equipment manufacturer**

21. However, the government argued that the route was subject to abuse and subsequently closed it to new applicants in April 2012. Since then the government has introduced a post-study work route, but this is limited to PhD students able to work for just one year upon completing their course. We have not seen any appetite to extend this route further. The Tier 1 (Graduate Entrepreneur) visa was launched in April 2012 but take-up has remained consistently very low with (according to reports) under 100 visas being issued in 2013. The government has also made it easier for graduate entrepreneurs to switch to Tier 2, however we do not see this or the other measures referred to having any meaningful positive impact on manufacturers' ability to fill their vacancies.

22. Whilst non-EEA graduates of UK higher education institutions retain the opportunity to switch from Tier 4 (Student) to Tier 2 (General) from within the UK visas for around four months after graduation, it is highly likely that those businesses that are not already sponsors will struggle to secure their sponsor licence and to obtain a Tier 2 (General) visa for the employee in question within this short timeframe without external assistance. Therefore SMEs, often without HR or legal departments, are disadvantaged as they are unlikely to be able to commit the necessary time and resources to navigating through what is a complex, and time-consuming migration system. There is also a misconception that those with Tier 4 (Student) visas can continue to work without being sponsored under Tier 2 until the expiry of their visas (commonly around 4 months from graduation). In fact, according to Home Office policy, those with Tier 4 (Student) visas must not hold full-time permanent vacancies. This means that a business which sources a suitable

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<sup>10</sup> EEF, the manufacturers' organisation 'Skills for Growth' (2012)

non-EEA graduate for a permanent vacancy must realistically already have its sponsor licence in place at the time of recruitment. Making an offer of employment conditional on the business first obtaining its sponsor licence would surely lead to the candidate looking for a more certain offer with another UK employer which already has a sponsor licence or with an employer in their home country.

23. The government previously argued that the Tier 1 post study route was subject to abuse and this was seen to be the main reason for its closure. However, the Impact Assessment published by the government in June 2011, entitled 'Reform of the Points Based Student (PBS) Immigration System' concentrates on abuse of the Tier 4 student route rather than abuse of the Tier 1 post study work route.
24. Whilst one factor for the closure of the route cited in the Assessment was the concern that the visa holders were not taking up sufficiently skilled employment in the UK, the two more prominent concerns appear more political and less relevant to the Tier 1 post study route. These relate to a) public opinion and concern about immigration and b) the need to reduce net migration levels.
25. Post study work visa holders, as the Assessment itself acknowledges, were permitted to do **any type of work in the UK** and therefore those who did not take up higher skilled jobs could not then be said to have been 'abusing' the visa category. In any event, if the government remains concerned about potential abuse of the post study work visa were it to be reinstated, there are measures that could easily be put in place to counter this, including a condition that the visa may only be used for roles skilled to NQF Level 6 or above (this is the current minimum skill level for a Tier 2 (General) visa) and identifiable under the system of Standard Occupational Codes currently used by Tier 2 sponsors.
26. There are also other ways in which government could make it easier for industries with a high proportion of hard-to-fill vacancies to recruit non-EEA graduates. Government could use the shortage occupation list<sup>11</sup> to identify which job roles are not being filled by the domestic workforce, and are therefore likely to require skilled migrant workers from outside the EEA and then use this to form the basis of a new, more restricted post study work visa category. The majority are currently STEM occupations – in particular engineers and scientists. This has been a consistent pattern since its introduction and demonstrating the demand for engineering roles further, the Migration Advisory Committee (MAC) last year advised that additional engineering occupations be included also. The MAC's recommendations are evidence based, looking at a number of credible metrics to form conclusions. We fully support the recommendations MAC put forward and believe they reflect the current shortages within industries such as manufacturing and engineering.
27. This shortage occupation list could then be extended to new graduates, allowing international students studying disciplines that fall within these categories to stay in the

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<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/workingintheuk/shortageoccupationlistnov11.pdf>

UK for a period of two years after their studies, under a new post study work scheme, to support them in seeking employment within these fields. This is not a radical proposal, indeed the Science and Engineering Graduate Scheme allowed non-EEA nationals who had graduated from UK higher or further education institutions in certain physical sciences, maths and engineering subjects with a 2.2 or higher grade to remain in the UK for 12 months after their studies or pursue a career without needed to secure, what was then, an Employer Sponsored Work Permit.

28. The USA, Australia and Canada have all retained post-study work visa options for foreign university students:

- a. The USA has the F-1 visa, which most foreign students utilise. In most cases, depending on the course of study and circumstances, the visa holder is eligible for post-graduation work authorisation (Optional Practical Training). Any work undertaken must directly relate to visa holder's major area of study. There are provisions in place to allow STEM graduates on F-1 visas to apply for special extensions to their visas, allowing them to work in the US for a further period of up to 17 months before having to look for sponsored employment. The M-1 visa is also available to foreign students undertaking vocational programs, which permits employment after their studies have completed. Again any work carried out must relate to the student's area of study. Those with F-1 or M-1 work authorisation may apply for sponsorship by a US employer prior to the expiry of their visas.
- b. In Australia, foreign graduates are able to apply for a Temporary Graduate Visa (subclass 485), which contains two streams, the Graduate Work Stream and the Post Study Work Stream. The Graduate Work Stream allows applicants with an eligible qualification to obtain a visa for up to 18 months, provided they have gained skills/qualifications which relate to a government nominated occupation contained within the 'Skilled Occupation List' and that they have obtained a positive skills assessment for that occupation. Any work then carried out on this visa must fall within the relevant skilled occupation that was nominated. The Post Study Work Stream is more generous and allows foreign graduates holding an eligible higher level qualification (broadly equivalent to a Bachelors' degree or higher), to apply for a visa for up to 4 years depending on the level of their qualification, regardless of their field of study. Applicants in this stream are not restricted to the type of work they can undertake. Australia also has a temporary visa class, the Skilled Graduate (subclass 476 visa), allowing engineering graduates of selected overseas universities (rather than Australian universities) to obtain 18 months' work experience in that country.
- c. In Canada, foreign graduates who have completed their studies in an eligible programme at an eligible Canadian post-secondary institution can obtain an open work permit under the Post-Graduation Work Permit (PGWP) programme, with no restrictions on employment type for up to three years (depending on the length of their course of study). Applicants are not required to have a Canadian job offer at the time of application. Participants of the PGWP programme may also be eligible for permanent residence in Canada.

29. The closure of the post study work visa category means that the UK is therefore less attractive to potential foreign students than these other English-speaking jurisdictions. It seems inevitable in consequence that many may seek to go elsewhere for their degrees and post-study work, denying the UK the benefit to its STEM-based industries which they could have represented.

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