



Migration Advisory Committee

Consultation response

Future Migration Policy and Salary Threshold Review

The Scottish Council for Development and Industry (SCDI) is Scotland's Economic and Social Forum. We are an independent and inclusive economic development network representing all sectors and all geographies of the Scottish economy. Our mission is to convene our members, partners and stakeholders across the private, public and third sectors to deliver inclusive and sustainable economic growth for Scotland.

For more information on this consultation response, or to engage on any other issue, please contact the SCDI Policy Team:

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Future Migration Policy and Salary Threshold Review

1. Are the salaries required by the Tier 2 (General) immigration rules generally:

Higher than what they would normally pay

About the same

Lower than they what would normally pay

Don't know

2. Have the organisations that you represent experienced any issues with Tier 2 (General) visa salary requirements? If so, what were they?

It is the view of our members that Tier 2 (General) visa salary requirements do not reflect labour market conditions or meet employer needs in Scotland. The level of salary requirements is not aligned with wage levels in Scotland, restricting the access to talent and reducing the supply of labour which is necessary for business growth. The inflexibility of the system results in an inability to attract and secure workers for sectors which are experiencing shortages. Access to the right talent and the right skills is critical for Scottish businesses to improve their productivity performance. Scottish productivity lags significantly behind other parts of the UK and international competitors, as illustrated by the evidence compiled by the CBI Scotland-KPMG Scottish Productivity Index.

3. Have any of the Tier 2 (General) visa employees employed by your members (or organisations you represent) applied or tried to apply for settlement?

Yes

No

Don't know

4. In general, was the settlement income threshold (currently £35,800)?

Above their current salary

About the same as their current salary

Below their current salary

Don't know

5. Please provide any additional views of Tier 2 (General) visa settlement.

As noted in answer to Question 17, our members have a negative view of Tier 2 (General) visa settlement. More generally, our members report that their experience of the Tier 2 settlement system is one of complexity, prohibitive costs, inconsistency of outcome and slow progress. Simplification and digitisation of processes are urgently required.

The system is also unfairly harsh on sponsors when individuals fail to update personal information. Guidance is insufficiently clear.

Moreover, the current rules can have a negative personal and professional impact on individuals with a sense of insecurity and uncertainty over their future, given that after five years of working in the UK and contributing to our economy and our society they may lose their legal status.

6. To what extent would the businesses/organisations you have engaged with agree or disagree with the following statements: (strongly agree, agree, neither agree nor disagree, disagree, strongly disagree)

There should not be a minimum salary threshold above the legal requirement (the national minimum wage). **Strongly Agree**

If there is a salary threshold it should be applied universally across the economy and UK, with a few exceptions to keep the system simple. **Strongly Disagree**

If there are salary thresholds, there need to be a variety to reflect employer needs. **Agree**

If you have an alternative model you wish to describe, please explain it here (in 200 words)

SCDI does not support a minimum salary threshold above the legal requirement of the National Minimum Wage. The social and economic value of an individual, including their level of skills or their level of productivity, is not necessarily reflected in their salary. Inward migration at all levels of the labour market is critical to meeting the distinct needs of Scotland's demography and economy to support productivity growth and business growth. Employers need access to the right people with their right skills whatever their nationality or background.

7. If there were tailored salary thresholds, to what extent would the businesses/organisations you have engaged with agree that they should be varied by:

Sector: **Neither agree nor disagree**

Region/country: **Strongly agree**

New entrants/young workers: **Neither agree nor disagree**

Occupation: **Strongly agree**

8. Do the businesses/organisations you engage with most commonly think that jobs judged to be in shortage (such as those on the Shortage Occupation List) should have:

Higher salary thresholds compared to those not in shortage

The same salary thresholds compared to those not in shortage

Lower salary thresholds compared to those not in shortage

Don't know

9. Do the businesses/organisations you engage with most commonly think that having a salary threshold equivalent to the 25th percentile of the full-time pay distribution for employees in that occupation is:

[25th percentile: 75% of full-time employees in an occupation earn the threshold amount or more, and 25% earn less]

Too high

About right

Too low

Don't know

Please explain your answer (in 200 words)

Given our demographic and labour market position, sectors across Scotland have a need for improved access to talent and increased supply of labour. There are skills gaps and labour shortages across the Scottish economy, with further challenges emerging in a number of sectors exposed to Brexit-related risks of lower inward migration, including agriculture, food processing and tourism.

In addition, key growth sectors would be heavily affected by such an approach because of their distinct workforce profile – the social care and agricultural sectors, for example, given their high proportion of seasonal, part-time and migrant workers. An inability to source the right people with the right skills will negatively impact the output and productivity of businesses and organisations in these sectors, especially in rural areas. Brexit uncertainty has already had profound effects on these sectors. Business activity in the accommodation and food services, for example, has declined by 32% since the Brexit referendum across the food and drink sector. One in five EU nationals work in the food, drink and tourism sectors. The effect of Brexit on workers coming to Scotland has indeed been stark. Farmers are struggling to meet their labour needs, as fewer seasonal, temporary and permanent inward migrants enter Scotland. Scottish agriculture experienced a 15% worker shortfall in 2018. Only two-fifths of migrant workers surveyed in 2017 were certain they would return to Scotland to work in 2018.

10. Do the businesses you engage with most commonly think that having a minimum salary requirement of £30,000 for an experienced full-time employee is:

Too high

About right

Too low

Don't know

Please explain your answer (in 200 words)

Our members are clear that a minimum salary requirement of £30,000 does not reflect labour market conditions or meet employer needs in Scotland. Wages are substantially lower in Scotland, and increasing at a lower rate, than the UK as a whole. For example, highly qualified, highly talented researchers in academia and the technology sector, especially those at early career stage, may not yet command even £30,000 per annum in salary. The median gross

salary in Scotland for all employees is £23,150, compared to £28,677 across the UK. Between 2017 and 2018, gross median weekly earnings for full time employees in Scotland increased by 3%, compared to a 3.5% increase across the UK as a whole.

11. Are there any other issues we should consider? (in 200 words)

The distinct needs and profile of Scotland's economy and society must be fully considered. Scotland's population is ageing at a faster rate than that of the UK as a whole. All of Scotland's future population growth is projected to come from inward migration, according to the National Records of Scotland. Across Scotland inward migration remains critical to reversing the trend of a shrinking working age population. The population is ageing across Scotland, but this trend is more acute in rural areas. Many rural communities will continue to require inward migration from outside Scotland to prevent depopulation and secure a sustainable local future.

Since 1998, there has been an increase of 31% in the number of people aged over 75 in Scotland, and a decline of 8% in those under the age of 15. Over the next 25 years to mid-2043, there are projected to be over 240,000 more pensioners in Scotland. Scotland is forecast to age more rapidly than the rest of the UK. The proportion of Scotland's population which is of pensionable age is projected to increase by 2.9% by 2035, compared to just 1.7% across the UK. Whilst all areas of Scotland are expected to experience an increase in the proportion of population aged 75 and over by 2022, rural areas will be most affected. Over 75s are forecast to increase by 50% in the Orkney Islands compared to 10% in Glasgow and Dundee.

Scotland's working age population is projected to be substantially smaller in mid-2043 than in mid-2018. In mid-2018 there were approximately 3.484 million working age people in Scotland, or 64% of the population. In mid-2043, the working age population is projected to be 3.477 million, or 62% of the population. The population of the UK as a whole is projected to grow at a faster rate than Scotland, increasing by 9.0% to reach 72.4 million by mid-2043 – which would mean that Scotland's share of the UK population could fall from 8.2% to 7.7% by mid-2043.

SCDI therefore believes that a differentiated migration system for Scotland within the UK framework would better meet the needs of Scottish business and organisations and better address our growing demographic challenges. Lessons should be learned from similar regional migration models which operate successfully and support relatively high levels of inward migration in Australia, Canada and Switzerland.