

## **ESEC response to the Migration Advisory Committee's Call for Evidence Salary Threshold and Points-Based System Commission**

*November 2019*

### **1. Introduction**

- 1.1 The East of Scotland European Consortium (ESEC) welcomes the opportunity to contribute to this Call for Evidence on the Salary Threshold, led by the Migration Advisory Committee.
- 1.2 ESEC is a membership organisation of seven local authorities: Aberdeen City, Angus, Dundee City, Falkirk, Fife, Perth & Kinross, and Stirling Councils. We collaborate on a shared agenda as it affects and supports economic development in the area. ESEC's focus is mainly concentrated around EU policy developments, EU funding opportunities and strategic projects, but also wider developments as the impact economic development, such as immigration policy.

### **2. Demographic, salary and labour trends in Scotland**

- 2.1 On 14 August 2019, the National Records of Scotland published its annual report *Scotland's Population 2018 - The Registrar General's Annual Review of Demographic Trends*.<sup>1</sup> The report shows that Scotland's population is at its highest ever at 5.44 million, however the rate of growth has slowed for the second year running. Population change varies across Scotland, as numbers increased in 18 council areas but decreased in 14 council areas (mostly rural, island, and the west coast).
- 2.2 Over the past two years, net migration has decreased, coinciding with the EU referendum of 2016, but more people are still coming to Scotland than are leaving. The net figures of migration to Scotland since 2016 are as follows: 2015/16 – 31,693; 2016/17 – 23,855; and 2017/18 – 20,900. In 2018, there were 352,000 non-UK nationals living in Scotland, representing 7% of the resident population. The most common non-UK nationalities are as follows: Polish (87,000), Irish (20,000), Lithuanian (15,000), Pakistani (15,000), Italian (12,000), French (12,000), Indian (12,000), American (11,000), Chinese (10,000) and Canadian (6,000). The population in Scotland who are non-British nationals is 7%, and in individual ESEC councils it is: Aberdeen City 16.8%, Angus 4.3%, Dundee City 6.2%, Falkirk 3.8%, Fife 3.6%, Perth & Kinross 6.1%, and Stirling 5.5%.
- 2.3 In October 2019, the Scottish Government has published its 25-year population projection, which predicts that there will be 240,000 more pensioners, an increase of 23.2%, while the working population will reduce by 7,000, meaning that the only population increase will come from inward migration.<sup>2</sup> The Scottish Government recently established a Ministerial taskforce to look at Scotland's future population challenges and to develop new solutions to address demographic changes, including supporting rural settlement and growing birth rates and the working age population. Supporting analysis shows the possible effect on the future population size in scenarios of reduced EU migration. In a scenario of 50% less EU migration, the population is expected to peak in mid-2028 at 5.52 million. In a scenario of zero future EU migration, the population would be expected to peak in mid-2028 at 5.49 million and decline thereafter.

---

<sup>1</sup> <https://www.nrscotland.gov.uk/statistics-and-data/statistics/stats-at-a-glance/registrars-general-annual-review/2018>

<sup>2</sup> <https://www.gov.scot/news/scotlands-population-projections/>

- 2.4 In its response to the Migration Advisory Committee's call for evidence on the Shortage Occupation List (SOL), the Scottish Government highlighted shortages in many sectors including tourism and hospitality, cultural and creative, manufacturing and construction, financial services, digital and technology, the third sector, agriculture, seafood, environment and forestry, the nuclear industry, logistics and transport, and education. Evidence on shortage in jobs at all skill levels was submitted. In some sectors, specific jobs were singled out as being in shortage while in others the discussion was more generic.
- 2.5 According to figures shared by the Scottish Parliament's Finance and Constitution Committee, the median gross salary in Scotland in 2018 for all employees was £23,833. This is just below the UK wide figure of £24,006 and is the highest outside London and the South East, but lower than the overall England figure.<sup>3</sup>
- 2.6 The above statistics along with those related to births and deaths indicate the need for employers to fill labour shortages with either non-EU or EU migrants. The government's proposals based on the salary threshold of £30,000 would make this extremely challenging.

### **3. The impact of post-Brexit immigration rules on some of our key sectors**

#### **3.1 The gaming industry**

The creative/digital/technology sectors are important contributors to the UK and Scottish economies. 58,000 people are employed in the digital tech sector across Scotland.<sup>4</sup> Dundee is particularly strong in the sectors in terms of economic output, with software, programming and related activities accounting for 36% of all Scottish outputs. In terms of economic output (gross value added), the sectors alone in Dundee were worth £205 million to the local economy in 2017 with turnover increasing from under £100 million in 2014 to over £180 million in 2017 - employment was 2,660 in 2018.

Economic output from the digital sector has grown considerably in recent years. Between 2010 and 2015, the digital sector grew by 22%, whilst the whole UK economy grew by 17%. The Department for Culture, Media and Sport (DCMS) reported in November 2018 that the digital and creative industries have broken previous records and are now worth more than £130 billion and £100 billion respectively, growing at nearly twice the rate of the rest of the economy since 2010.

On 30 April 2019, the House of Commons Digital, Culture, Media and Sport Committee held a session at Abertay University in Dundee as part of their inquiry on immersive and addictive technologies. Representatives from Dundee's gaming industry gave evidence on behalf of their respective companies.<sup>5</sup> When asked by an MP on what issues might threaten the gaming industry, particularly those outwith the control of companies, the shared view was that it was important for the industry to be able to recruit as diversely as possible, which includes overseas, and anything which affects freedom of movement would "potentially throw a spanner in the works for recruitment." Regarding the salary threshold of £30,000, one of the representatives noted that graduate jobs are lower-paying, therefore the salary barrier would impact the attractiveness of educational establishments in the country, such as Abertay. It was also pointed out that staff on lower salaries perform integral roles in the industry. It was further suggested that if the salary requirement was universally applied, it could negatively impact young companies and prevent innovation.

---

<sup>3</sup> <https://www.parliament.scot/parliamentarybusiness/CurrentCommittees/111398.aspx>

<sup>4</sup> <https://technation.io/about-us/national-network/scotland/>

<sup>5</sup> <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/digital-culture-media-and-sport-committee/immersive-and-addictive-technologies/oral/101539.pdf>

In July 2019, the French Government has launched a campaign called 'Join the Game' in an effort to entice foreign game developers and publishers to France.<sup>6</sup> The campaign highlights the fact that video games are now France's second largest cultural industry, behind books and ahead of the cinema, employing 5,000 people and with annual revenues of €4.9bn. The push to entice UK game developers to France post-Brexit includes subsidies, tax breaks and loans made available to those that relocate, and is a bid to "illustrate the French Government's commitment to offer foreign publishers and developers – studios and independents – opportunities to discover the optimal environment to excel."

On 30 March 2017, a survey by industry body The Association for Interactive Entertainment revealed that 40% of games companies were considering relocating after Brexit.<sup>7</sup> 57% of companies surveyed said they had employees from the EU, with EU workers making up, on average, a third of their workforce. The greatest concern of the industry was a loss of international talent, with 98% of respondents believing that EU nationals who meet the skills criteria that reflect the games industry's emergent needs should have a blanket right to live and work in the UK.

### 3.2 Agriculture

In 2017 the 'conservative' estimate of seasonal workers in Scotland was 9,255.<sup>8</sup> A total of 99% of seasonal workers on British farms come from Eastern Europe, two-thirds from Romania and Bulgaria.

The previous Seasonal Agricultural Workers Scheme (SAWS) was closed in 2013. 14.6% of the UK's SAWS workers were in Scotland, and the main regions where they were working were Angus (1,143 workers of 5.7% of UK total), Perth and Kinross (966 workers or 4.8% of UK total), and Fife (468 workers or 2.3% of UK total). Three quarters of Scotland's migrant workers are across Angus and Perth and Kinross<sup>9</sup>

Agriculture is a key sector across the East of Scotland. Taking Fife as an example; Fife provides 15% of the total agricultural land area in Scotland for orchard and soft fruit production (325 hectares); 16% of the total area for vegetable production (3,080 hectares); and, 10% of the total area for potato production (2,813 hectares). A total of 3,089 people are employed within the agricultural sector in Fife.

A survey by the National Farmers Union revealed that in 2018, there was a 12.5% shortfall of season workers required to work on horticulture farms, leading to some produce being left to rot in the fields. Over half of recruitment companies could not find the labour even in the quieter first months of the year.<sup>10</sup>

The increasing difficulties in recruiting seasonal workers is having significant impacts on local businesses. A Perthshire farmer reported having to throw away 60 tonnes of berries in 2018 due to a lack of available workers.<sup>11</sup> The Managing Director of Angus Soft Fruits said the biggest challenge facing the sector was labour shortages, as a result of the falling value of the pound.<sup>12</sup>

---

<sup>6</sup> <https://jointhegame.fr/>

<sup>7</sup> <https://ukie.org.uk/brexit>

<sup>8</sup> <https://www.gov.scot/publications/farm-workers-scottish-agriculture-case-studies-international-seasonal-migrant-labour/pages/5/>

<sup>9</sup> <https://www.gov.scot/publications/farm-workers-scottish-agriculture-case-studies-international-seasonal-migrant-labour/pages/5/>

<sup>10</sup> <https://www.bbc.co.uk/news/business-44230865>

<sup>11</sup> <https://www.scotsman.com/news/farmers-need-jobless-to-prevent-fruit-picking-waste-1-4917563>

<sup>12</sup> <https://www.hortweek.com/angus-soft-fruits/artide/1498609>

Some farms have taken recruitment into their own hands. The owners of Barnsmuir Farm in Fife travelled to Eastern Europe themselves to promote their available seasonal roles. They gave presentations, advertised in the local press, put up posters and offered incentives. However, they still faced recruitment challenges, such as workers who had pledged to turn up cancelling to go work elsewhere, and they still faced a 10% shortfall of the 400 workers they needed.<sup>13</sup>

A 2018 Scottish Government survey<sup>14</sup> of farm businesses and labour providers have highlighted the importance of seasonal and permanent migrant workers:

- Two-thirds of farmers said without access to migrant workers, they would switch to other agricultural activities, with over half saying they would likely diversify into non-agricultural activities;
- Without access to migrant labour, horticulture businesses reported a high likelihood of downscaling/ ceasing production;
- Over two-thirds of farm businesses thought there was no real opportunity to substitute labour from the local market and;
- Only a fifth of businesses felt they could maintain existing business structures without an effective seasonal workforce

### 3.3 The tourism and hospitality sectors

According to figures released by Scottish Government in April 2019, an estimated 21,000 EU citizens are employed in Scotland's tourism sector, accounting for 11.6% of the workforce.

The importance of tourism is demonstrated in its status as one of the Scottish Government's six growth sectors, sectors in which Scotland has been identified as having a distinct comparative advantage. The other growth sectors are; Creative Industries, Energy, Financial and Business Services, Food and Drink, and Life Sciences.

A heatmap produced by the Scottish Government showed that in terms of seasonal workers, concern was high for both the food & drink, and tourism sectors. Regarding uncertainty about post-Brexit arrangements, concern was again high for both growth sectors. Concern regarding the impact on rural areas was high for both the food & drink and tourism sectors, and high for the food & drink sectors in cities, and medium for the tourism sector in cities.

### 3.4 The energy sector (including renewables)

The energy sector is included as one of the Scottish Government's six key growth sectors. Since the 1970s, the North Sea oil and gas industry has supported thousands of jobs, both directly and indirectly via the wider supply chain. Scotland has long been a net exporter of electricity and in the past decade, has seen rapid expansion of wind power, added to existing output from hydroelectric plants.

Employment in the Energy growth sector stood at 70,000 in 2017, accounting for 2.7% of employment in Scotland and 22.4% of employment in energy across the UK. Employment in this sector increased by 1.4% over the latest year in Scotland. In 2017, employment in the energy growth sector was highest in Aberdeen City (27,000) which comprised 38.6% of employment in this sector.<sup>15</sup>

---

<sup>13</sup> <https://www.thecourier.co.uk/fp/news/local/fife/692129/claim-seasonal-farm-worker-shortage-not-down-to-brexite/>

<sup>14</sup> <https://www.gov.scot/publications/farm-workers-scottish-agriculture-case-studies-international-seasonal-migrant-labour/pages/2/>

<sup>15</sup> Ibid

On 3 September 2019, the Scottish Government announced it would launch a £3bn Green Investment Portfolio (GIP) as part of its 2019 programme for government. The GIP aims to bring to the market over the next three years projects low-carbon projects which will include the renewables, waste, and construction industries, and will actively look to expand into other sectors including transport, housing, and hydrogen.

As part of the same announcement, the Scottish Government stated it would work with Skills Development Scotland and the Scottish Funding Council, to develop and publish a Climate Emergency Skills Action Plan. The initiative will gather the evidence needed to make the right investments in skills systems, such as where there are current skills shortages and where there might be shortages in the future.

The new Advanced Skills Academy at the Michelin Scotland Innovation Parc (MSIP) in Dundee, will work with the National Manufacturing Institute (NMIS) Skills Academy to develop and meet future skills needs in advanced and digital manufacturing, as well as services for sustainable mobility.

The House of Lords sub-committee on Energy and Environment published a report on Brexit and energy security, in 2018. As part of this inquiry, Energy & Utility Skills said that “any new immigration policy must avoid arbitrary distinctions between ‘higher’ and ‘lower’ skilled jobs, based on inaccurate criteria such as whether or not it requires a degree — this does not reflect the value of such roles to the sector”. EDF Energy stated that “we are satisfied that the majority of our current employees would meet the existing UK Points Based System requirements. The same cannot be said for our supply chain workforce, most of whom would not meet the current entrance criteria.”

### 3.5 Key roles in the local government workforce

Teachers, Social Workers and other professional roles may be paid less than £30,000 for a defined period, such as when newly qualified. It is important that these opportunities remain available for non-EU workers, unless a lower salary threshold is set. If necessary, tailored and realistic salary levels would enable us to support the careers of the newly graduated.

Early Years Officers within school nurseries and Pupil Support Assistants who support pupils with additional support needs meet the proposed qualification threshold but do not meet the £30,000 salary. Furthermore, Local Authorities have a need to recruit additional Early Year Officers following government policy which will increase early years provision from 600 to 1,140 hours per year, from August 2020. These roles have high public value but do not pay high salaries.

Due to an ageing population, there is a high demand for care workers, and it is already proving a struggle to recruit to these posts. These roles meet the proposed qualification threshold but not the £30,000 salary threshold.

## 4. **Further responses to the UK Government’s White Paper and proposed immigration strategy**

- 4.1 In February 2019, the Scottish Government published its own paper, *UK Immigration Policy after Leaving the EU: Impacts on Scotland’s Economy, Population and Society*.<sup>16</sup> It states that if the UK Government’s proposals were put in place, this could lead to an approximate reduction in EU net migration to Scotland of between 50% and 80%. Regarding the salary threshold of £30,000, the report states that 63% of workers in Scotland earn less than this. This would be 58% if the threshold was reduced to £27,000 and 53% in the case of a £25,000 threshold. In occupations such as textiles, social care, leisure and travel, and sales, almost no

---

<sup>16</sup> <https://www.gov.scot/publications/uk-immigration-policy-leaving-eu-impacts-scotlands-economy-population-society/>

jobs would qualify for the £30,000 threshold. Regarding the regional distribution of salaries, there is a wide variation in the proportion of jobs that meet the £30,000 threshold, ranging from 49.5% in East Renfrewshire to 16% in Na h-Eileanan Siar, suggesting that very few migrants would be able to move to the lower salary areas to work under this condition.

- 4.2 On 23 July, the House of Commons Scottish Affairs Committee published its report on *The Future of Scottish Agriculture Post-Brexit*.<sup>17</sup> The report noted that over the past three years, there had been a 10-20% shortfall of workers in the agricultural sector, which caused farms to leave up to 30% of produce in the ground the previous season. Regarding the Seasonal Workers Pilot, the report states that there is overwhelming evidence that 2,500 workers will be insufficient for the sector in Scotland, let alone all of the UK. The report calls on the scheme to be expanded from 2,500 to 10,000 workers and that its scope be broadened to cover other sectors reliant on seasonal workers such as floral and meat processing (at the moment it is limited to the edible horticultural sector).
- 4.3 London Mayor Sadiq Khan believes that the government's immigration plans would have "devastating consequences" for his city, and recommends that the threshold be set at £21,000, the equivalent of the London Living Wage. A study by the Greater London Authority found that, under the proposed changes, employers would struggle to fill vacancies in occupations that account for around half of all jobs in London, including cleaners, construction workers, hospitality staff, nursery staff, and other roles deemed as low-skilled.<sup>18</sup>
- 4.4 Professor Paul Workman, Chief Executive of the Institute of Cancer Research, wrote to Chris Skidmore MP, then minister of Universities and Science, to express concerns on the potential impact of the post-Brexit immigration rules on the scientific workforce, especially the proposed threshold of £30,000 as a minimum salary.<sup>19</sup> Professor Workman said assessing skilled workers by how much they earn "does not work well for science." He added that many scientists and technicians with crucial skills often earn less than the £30,000 threshold, and he voiced concern that the rules could "lead to serious gaps in many technical roles, with no appropriately skilled staff to fill them."
- 4.5 In May 2019, the director-general of the CBI criticised the UK Government's proposed salary threshold of £30,000; "In around 20 years' time, just one third of the Scottish population will be of working age; this will have profound implications for Scotland, its tax base and public services [...] And this is why the UK Government's post-Brexit immigration proposals are troubling. The idea that skilled workers coming to Scotland may have to earn over £30,000. Well, the Scottish median salary is less than £24,000."<sup>20</sup>

## 5. Conclusions

- 5.1 It is the intention of this paper to highlight the invaluable role non-UK nationals play in contributing to the economy of the East of Scotland, and without access to this labour, then our key sectors would not have access to the diverse talent pools that being able to recruit internationally enables. The key message from employers is that levels of pay below the proposed threshold do not equate to low skill or low value. Indeed, without access to core staff who are paid less than the proposed threshold, then many of our companies would struggle to operate.
- 5.2 In the review of the MAC review of the Shortage Occupation List (SOL), many respondents indicated that they were already struggling to recruit into roles below RQF3 and they were

---

<sup>17</sup> <https://publications.parliament.uk/pa/cm201719/cmselect/cm Scotaf/1637/1637.pdf>

<sup>18</sup> <https://www.london.gov.uk/press-releases/mayoral/mayor-reveals-risk-of-government-immigration-plans>

<sup>19</sup> <https://www.icr.ac.uk/blogs/the-drug-discoverer/page-details/uk-science-needs-a-clear-plan-for-the-future>

<sup>20</sup> <https://www.bbc.co.uk/news/uk-scotland-scotland-business-48221757>

experiencing a greater turnover of staff as a result of Brexit and the devaluation of the pound. This was a particular concern for the horticulture, food manufacturing, hospitality, tourism, and care sectors. Many companies also stated that managers often start “on the shop floor” and work their way up the ladder. Without access to low-skilled workers, there is concern about the impact of a pipeline of higher-skilled staff.

- 5.3 A perceived hostile and bureaucratic immigration policy risks turning people away. There have already been examples of companies losing EU staff, as they have already started to seek posts elsewhere. We are at real risk of discouraging potential employees in key growth sectors by introducing policies that make them feel less welcome, and with added administrative burdens.
- 5.4 Future immigration policy cannot be a one size fits all. There will need to be variable thresholds to reflect the various local dimensions, which includes regional and sectoral differences. If a system is created to attract migrants to places facing population decline, as has been experienced in 14 local authority areas in Scotland, then incentives must be provided to encourage these people to settle in the area long-term, and to avoid the situation whereby the individuals relocate towards urban centres, once the terms of the visa have expired.
- 5.5 We welcome this review being conducted by the Migration Advisory Committee, and appreciated the opportunity to attend the roundtable held in Edinburgh in October. We look forward to continued constructive engagement as part of the review on salary thresholds for potential employees from outside the UK, and further consultation on any future immigration system as it is created and implemented.