

**SALARY THRESHOLD AND POINTS-BASED MIGRATION SYSTEM
ROYAL SOCIETY OF EDINBURGH RESPONSE**

The UK should promote a narrative of being 'open for business' and seen as a welcoming destination for immigrants. It must be clear that, in particular, skilled and talented migrants are both required and valued.

The future labour market may differ significantly from the market of today and the immigration system must be flexible enough to deal with potentially significant changes.

The UK research base is internationally recognised as one of the strongest in the world and this is partly predicated on its ability to attract the highest quality staff from around the world. To maintain this standing the immigration system must be affordable and attract researchers at all career stages.

Scotland's research and higher education base relies heavily, and disproportionately compared to the rest of the UK, on contributions made by EU and international staff.

Salary is not an adequate proxy for skill. In Scotland a majority of workers earn less than the proposed threshold and in certain professions no employees would meet it.

Scotland is more dependent than the rest of the UK on sectors such as social care and healthcare, agriculture and food services and these areas will require continued access to labour from elsewhere. It is, however, unlikely that many workers in these sectors will meet the skilled route criteria and may not be attracted by the option of a temporary route.

A salary threshold could serve to disadvantage part-time workers – therefore disproportionately impacting women – and certain geographic areas which are less likely to have jobs that meet the criteria.

Scotland faces serious and distinct demographic challenges, and future immigration policy must be designed to accommodate the particular needs of different parts of the UK.

A differentiated immigration system would be most effective in responding to Scotland's demographic and economic needs and there are a number of ways in which this could be implemented.

The MAC suggestion that a scheme could be piloted to facilitate migration to rural and remote areas, then monitored over several years and evaluated, should be taken forward.

It is important that Scotland retains a supply of labour for low-skilled and seasonal work and that any UK-wide sectoral scheme to achieve this is tailored to meet Scotland's particular labour market needs. It is vital, however, whatever the scheme, that there is no reduction in the rights of temporary workers.

Summary

Introduction

- 1 As Scotland's National Academy, the Royal Society of Edinburgh (RSE) welcomes the opportunity to respond to the Migration Advisory Committee's (MAC) consultation on Salary Thresholds and a Points-based Migration System.
- 2 The RSE has engaged with MAC extensively in recent years and has undertaken significant work on migration issues including producing the following Advice Papers and responses:
 - Shortage Occupation List – Migration in Scotland (January 2019)¹
 - The Impact of International Students in the UK (January 2018)²
 - EEA-Workers in the UK Labour Market (October 2017)³
 - Immigration: Demographics and Skills (August 2017)⁴
 - Brexit: Challenges and Opportunities – Migration, Diversity, Rights and Social Protections (July 2017)⁵
- 3 The RSE considers that it would be most productive to respond to the consultation by outlining key points and considerations on migration to the MAC Commission. The RSE has also responded to selected questions from Appendix B⁶ of the consultation document using the information in this submission.
- 4 This response was produced using the expertise of a working group of RSE Fellows and members of the Young Academy of Scotland, and previous work undertaken by the Society. We should be pleased to discuss further our response with members of the MAC.

Narrative on Immigration

- 5 It is important, particularly in the current environment of uncertainty surrounding Brexit, that the United Kingdom is viewed as being 'open for business' and seen as a welcoming destination for immigrants. It must be clear that the UK both requires and values skilled and talented

migrants in particular. The type of immigration policy set by the UK Government and the way in which it talks about immigration and migrants is key in setting a positive tone.

- 6 Robust immigration policy must properly address a number of issues including the requirements of the UK economy, demographic considerations and the distinct regional needs within the United Kingdom. It must also take a longer-term strategic perspective aligned with industrial strategy.
- 7 Viewing immigration through the narrow lens of reducing net levels of migration is counter-productive as, despite claims to the contrary, research has illustrated that migrants have little effect on UK workers' wages or access to employment. Even areas with disproportionately higher levels of EU immigration do not experience a greater decline in job opportunities or wages. Furthermore, EU migrants pay more in taxes than they receive in benefits or use through public services.⁷

Future Labour Market

- 8 It is important to note that the current political and economic environment does not provide sufficient indication of how businesses may adapt to changes in availability of labour or skills as a result of changes to the UK migration system. Labour markets are dynamic, and firms will react differently depending on their ability to attract workers and the nature of the product markets in which they operate.
- 9 In the coming decades some jobs will disappear due to increased automation and other factors and new roles will emerge. While technological change may not lead to mass unemployment it may result in increased inequality and polarisation with declining shares of middle-paid, routine, intensive occupations and rising shares of both high and low paid jobs. Thus, the future labour market may well look quite different from that of today and the immigration system must be flexible enough to deal with these potentially significant changes.

¹ <https://www.rse.org.uk/wp-content/uploads/2019/01/RSE-Response-to-MAC-Shortage-Occupation-List.pdf>

² https://www.rse.org.uk/wp-content/uploads/2018/02/AP18_02.pdf

³ <https://www.rse.org.uk/wp-content/uploads/2017/11/Migration-Advisory-Committee-Inquiry.pdf>

⁴ <https://www.rse.org.uk/wp-content/uploads/2017/09/AP17-20.pdf>

⁵ https://www.rse.org.uk/wp-content/uploads/2017/07/17-13_Final_EUseries-Migration_Diversity_Rights_Social_Protection.pdf

⁶ <https://www.gov.uk/government/consultations/salary-threshold-and-points-based-system-pbs-commission-call-for-evidence>

⁷ Wadsworth, J (2017). 'Immigration and the UK Economy', Centre for Economic Performance, London School of Economics. 6

Scotland's Distinct Demography

- 10 Scotland faces a more rapidly ageing population than the average for rUK. Population decline and ageing have tangible impacts on the economy and society of Scotland. European Union immigration has previously helped to meet labour shortages and to stem economic and social decline in remote areas. A cessation of free movement to the UK for EU nationals therefore poses significant economic and social risks in both urban and rural areas.
- 11 Scotland's population is projected to increase by 5% over the next twenty-five years from the current figure of 5.4 million. This compares with an increase of 11% for the UK over the same period. In Scotland's case, it is notable that the projected increase is wholly reliant on net-immigration. Scotland's population is an ageing one, with people aged 75 and over projected to be the fastest growing age group over the next 25 years.⁸ It is therefore important to recognise the contribution that immigration from the EU has made in terms of helping to offset Scotland's ageing population.
- 12 There are an estimated 352,000 (221,000 EU nationals and 131,000 non-EU nationals) people with non-UK nationality in Scotland. With the employment rate in Scotland being close to record levels, any significant reduction in the number of these non-UK nationals in the UK could adversely impact economic activity in Scotland.⁹
- 13 It will be important that MAC analysis for the UK Government takes account of Scotland's distinctive demographic challenges, with a view to ensuring that future UK immigration policy is designed to accommodate the particular needs of different parts of the UK. It is worth acknowledging that Scotland already has experience of adopting a differentiated approach to migration from the rest of the UK, through its Fresh Talent – Working in Scotland scheme, and its separate Occupational Shortage List.

Higher Education and Research

- 14 The UK research base is internationally recognised as one of the strongest in the world in performance and efficiency. The reputation of universities in Scotland and rUK is partly predicated on their ability to attract and retain the highest quality staff from across the globe. Higher Education Institutions in the UK compete internationally to recruit from what is a highly mobile talent pool.
- 15 Scotland's research and higher education base relies heavily, and disproportionately compared to rUK, on the contributions made by EU and international staff. In 2017-18, EU staff comprised 18% of the UK academic workforce,¹⁰ while for Scottish Higher Education institutions this figure was 20.7%. Additionally, more than a quarter (27%) of Scotland's research-only staff are from the EU.¹¹
- 16 It is important to recognise that for some disciplines the UK's academic and research base is especially reliant on the contributions of non-UK EU and non-EU staff, and the extent of this reliance can vary between Scotland and the rest of the UK. Both the UK and Scotland's academic and research base in STEM and the humanities is underpinned by other EU and international staff.¹²
- 17 Academic and scientific endeavour in Scotland and rUK would be severely compromised if universities and research institutes were unable to maintain the diversity of the current staff mix, and if recruitment were to be unduly constrained by restrictive immigration rules. The UK research ecosystem requires researchers at all career stages, and so the immigration system must attract and allow researchers across the spectrum of career development. Many researchers, technical specialists and related support staff could fail to meet the proposed salary threshold which would not only stop them from working in Scottish Higher Education Institutions but may also discourage high level researchers who wish to have the freedom to build their own research teams from coming to Scotland.

⁸ Projected population of Scotland (2016-based); National Records of Scotland; October 2017 <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-projections/population-projections-scotland/2016-based>

⁹ National Records of Scotland <https://www.nrscotland.gov.uk/news/2019/non-uk-population-of-scotland-broadly-stable-between-2017-and-2018>

¹⁰ HESA Statistics 2017/18 <https://www.hesa.ac.uk/news/24-01-2019/sb253-higher-education-staff-statistics>

¹¹ Scottish Funding Council Statistics http://www.sfc.ac.uk/web/FILES/corporatepublications_sfccp012018/SFCCP012018_EU_Exit_and_Scottish_colleges_and_universities.pdf

¹² HESA Statistics 2015-16 <https://www.hesa.ac.uk/news/23-02-2017/departamental-demographics-academic-staff>

- 18** Indeed, if the UK Government is to reach its goal of investing 2.4% of UK GDP in R&D by 2027 it requires an immigration system that not only maintains the current level of researchers, but allows for an increase of more than 50% by some estimates. Investing in UK skills alone will not prove sufficient to achieve this as it is impossible to grow the UK talent pool fast enough within the timeframe.¹³ To this end, the RSE welcomes indications from the UK Government that it will look to take measures to increase the attractiveness of UK institutions to overseas researchers, including abolishing the cap on tier 1 exceptional talent visas, removing the need to hold an offer of employment before arriving in the UK, and an accelerated path to settlement.¹⁴
- 19** The immigration process must also be affordable and competitive with other countries. Work undertaken by the Royal Society found that when compared with the average of 15 other “leading science nations”, total costs to individuals and employers for the UK were over 6x higher for skilled worker permits, 3.5x higher for skilled worker permits for PhD level positions, and over 6x higher for dedicated researcher visas.¹⁵
- ## Salary Threshold
- 20** Salary is not an adequate proxy for skill. While the RSE appreciates that the MAC Commission is working with a remit to advise on the future system of salary thresholds and MAC has previously, in its September 2018 report, recommended maintaining the existing threshold, the Society stresses the difficulty in defining and quantifying skills and does not consider that a salary threshold should be utilised without clear communication of the expected benefits and the evidence-base for this.
- 21** While the MAC report suggests that the £30,000 figure “seems to be about”¹⁶ the ‘break-even’ point where EEA migrants pay more in taxes than they receive in benefits, the Committee noted that this figure must be treated with caution and that a more restrictive immigration policy could change the make-up of migrants entering the UK, causing this ‘break-even’ point to change.
- 22** Advice from the Expert Advisory Group on Migration and Population to Scottish Government projects that the changes proposed by the UK Government, including the salary threshold being applied to currently exempt EU nationals, could lead to a reduction in annual overseas net migration to Scotland from more than 13,000 annually to a range of between 6,600 and 9,000.¹⁷
- 23** If a salary threshold is to remain in place then a flexible threshold should apply to occupations facing severe shortages, particularly jobs which may be vital to the economic or social wellbeing of local communities. Consideration should also be given to establishing a scheme with the aim of attracting and retaining migrants to rural and remote areas facing declining populations. Such a scheme could potentially include a list of shortage occupations that do not meet the skills threshold.
- 24** The RSE does, however, note that data from the Office of National Statistics (ONS) on job vacancies does not provide sufficient detail at either the industry or geographical level to allow robust evidence on shortage occupations in Scotland to be produced. It is important that the MAC, ONS, Scottish Government and key stakeholders work together to develop the statistical base required to provide more comprehensive evidence of shortage occupations.
- 25** The Scottish economy is also more dependent than the UK as a whole on sectors such as social and healthcare (14.2% of all jobs, compared to 13.2%), accommodation and food services (7.1% vs 5.4%), and agriculture, forestry and fishing (1.6% vs 1.1%) and will require continued access to labour to support these sectors.^{18,19} However, it is unlikely that many workers in these sectors will meet the skilled route criteria and may not be attracted by the option of a temporary route which does not provide them with the opportunity to settle.

¹³ Royal Society, UK Science and Immigration: why the UK needs an internationally competitive visa offer, July 2019
<https://royalsociety.org/topics-policy/publications/2019/uk-science-and-immigration-why-the-uk-needs-an-internationally-competitive-visa-offer/>

¹⁴ <https://www.gov.uk/government/news/pm-sets-out-vision-to-cement-uk-as-a-science-superpower>

¹⁵ The Royal Society, UK science and immigration: why the UK needs and internationally competitive visa offer (explainer)
<https://royalsociety.org/-/media/policy/Publications/2019/international-visa-systems-explainer-july-2019.pdf>

¹⁶ Migration Advisory Committee, EEA migration in the UK: Final report, p75
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/741926/Final_EEA_report.PDF

¹⁷ Expert Advisory Group on Migration and Population Report for Scottish Government; Feb 2019
<https://www.gov.scot/publications/uk-immigration-policy-leaving-eu-impacts-scotlands-economy-population-society/>

¹⁸ Office for National Statistics Dataset, Employment by industry
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentbyindustryemp13>

¹⁹ Office for National Statistics, Regional labour market: Headline indicators for Scotland
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/headlinelabourforcesurveyindicatorsforscotlandhi11>

- 26** In Scotland, 63% of workers in Scotland earn less than £30,000 salary. In certain professions, for example social care personal provision, no employees would meet the threshold.²⁰
- 27** It is important to note that the proposed £30,000 salary threshold relates to actual salary as opposed to “full-time equivalent” and cannot be pro-rated. Part-time workers from overseas looking to be employed in the UK would therefore be particularly impacted. This would clearly have a disproportionate impact on women looking to immigrate to the UK.
- 28** Similarly, the threshold is also likely to disproportionately affect certain geographic regions. Rural areas of Scotland are less likely to have jobs that meet the threshold, while conversely these areas, due to depopulation and an ageing population, are those most in need of increased immigration.

A Differentiated Migration System for Scotland

- 29** The RSE has made the case for a differentiated immigration system that would be most effective in responding to Scotland’s demographic and economic needs. Furthermore, the Society has continually recommended that the demographic context in Scotland must be taken into account when a new migration system is developed and implemented.
- 30** There are a number of ways in which the existing UK system could be adjusted to cater better for Scotland’s labour migration needs. One such option would be to allow more flexibility within the current Tier 2 provisions, for example through expanding the Scotland Occupational Shortage List. The criteria for defining shortages could be loosened, involving lower thresholds for skills or salary. Similar adjustments to the employer-led entry route under Tier 2 could also be considered. Under this route, employers may recruit non-EU nationals where they can demonstrate that no UK residents are available for the post, and where the job meets a salary and skills threshold. These criteria could be partially relaxed for Scottish employers.
- 31** Modifications to Tier 2 would represent a modest adjustment of existing arrangements. Such an arrangement could draw on the Swiss experience of setting cantonal quotas, which ensures that the federal government can closely monitor and control overall levels of immigration. However, it should be noted that these adjustments would not be as well suited to addressing Scotland’s demographic needs, or for promoting integration and diversity: schemes allowing swifter access to permanent settlement and generous rights for immigrants are better placed to meet these longer-term goals, which are likely to be of particular importance for Scotland given its demographic and socio-cultural needs for migration. Additionally, such modifications may not address more localised shortages within local authorities, as entrants may end up moving to larger cities or towns within an area.
- 32** Scotland could also develop its own points-based system for recruiting (especially high skilled) labour, along the lines of the Australian or Canadian decentralised systems being examined by the MAC Commission. Such schemes are well placed to cater for sub-national variations in demographic conditions, skills or sectoral shortages; and can be targeted to promote the permanent settlement and integration of immigrants. This could offer a promising model for Scotland to address its distinct demographic and economic needs and, in particular, to consider how these needs vary within different Scottish regions and localities (e.g. urban conglomerations versus rural and remote rural regions).
- 33** While differentiated points-based systems have clear advantages for Scotland, they also raise potential challenges. Such schemes typically build in generous rights for entrants, with no restrictions on access to employment – or, indeed, to welfare and public services. They would offer a set of rights (for those selected to enter) that go beyond those currently provided under free movement provisions, which may prove politically unpalatable to some.

²⁰ Expert Advisory Group on Migration and Population Report for Scottish Government; Feb 2019 <https://www.gov.scot/publications/uk-immigration-policy-leaving-eu-impacts-scotlands-economy-population-society/>

- 34** Furthermore, concerns have been expressed over onward migration under such systems. However, while it is appropriate and potentially informative to look at statistics relating to onward migration in other countries, it should not automatically be assumed that such behaviour would be replicated under a UK system due to considerably different geography, levels of migration and economic factors. In the MAC’s May 2019 review of the Shortage Occupation List, the Committee noted concerns around onward migration and suggested that a scheme could be piloted to facilitate migration to rural and remote areas.²¹ The scheme would then need to be monitored over several years and the outcomes evaluated. The Committee’s offer to provide advice on the design of such a pilot scheme should be taken forward.
- 35** Finally, the RSE notes that one of the main challenges for Scotland and rUK will be retaining a supply of labour for low-skilled and seasonal work. From the perspective of Scotland, clearly it will be important to ensure that any UK-wide sectoral scheme is tailored to meet Scotland’s particular labour market needs. While the UK Government has announced a seasonal workers pilot scheme, allowing fruit and vegetable farmers to employ up to 2,500 non-EU migrant workers for seasonal work for up to six months, Scottish farms alone employ up to 10,000 non-UK nationals in this sector.²²
- 36** Such sectoral schemes, however, are often associated with far less generous rights and social protection compared to the channels available to high skilled workers, or to EU nationals under current free movement rules. The RSE strongly opposes any reduction in the rights of temporary workers, which could lead to problems of exploitation and socio-economic precariousness, impede integration and potentially generate irregular forms of work and movement. Such impacts could also have undesirable wider effects on EU nationals already settled in Scotland. It could trigger a downturn in migration that is facilitated by networks with migrants already resident in Scotland and stimulate those currently in Scotland to move elsewhere in the EU or to return to their countries of origin.

²¹ Migration Advisory Committee, Full review of the Shortage Occupation List, p335
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/806331/28_05_2019_Full_Review_SOL_Final_Report_1159.pdf

²² <https://www.parliament.uk/business/committees/committees-a-z/commons-select/scottish-affairs-committee/news-parliament-2017/future-scottish-agriculture-post-brex-it-evidence-17-191/>

Additional Information

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