

Universities Scotland (US) welcomes the opportunity to provide evidence to the Migration Advisory Committee's (MAC) review of Tier 2.

Summary

- **Significant economic impact.** The proposed changes to the Tier 2 route, if delivered, are likely to be extremely damaging to the competitiveness of Scotland's universities and therefore the economic impact the sector is able to generate. The success of higher education is very heavily dependent on the performance of its staff. If policy changes continue to set the UK at further competitive disadvantage in the recruitment of excellent staff, it is entirely realistic to predict a gradual declining performance in Scotland's current international quality of both research and teaching.
- The higher education sector in Scotland delivers an annual economic contribution of over £11 billion gross value added. Within this, £1.5 billion is generated as a result of export activity including the recruitment of international students.
- This submission focusses primarily on the uncompetitive position that the proposed changes to Tier 2 would create for Scottish, and UK, universities and the adverse economic impact of this. It does so, in part, by illustrating the immensely valuable economic and social contribution made by individual members of staff currently working in Scottish higher education.
- **Uncompetitive.** The UK already has a less attractive visa offer for international students than our main English language speaking competitors of the US, New Zealand, Australia and Canada. The impact of this has been the well-documented lost market share of international student recruitment to these nations. The proposals regarding the rights of dependents of Tier 2 migrants, if delivered, would put the UK in a less competitive position for the recruitment of staff than the US, currently the only remaining English-language competitor where the UK holds a partial advantage in terms of visa routes for staff. If this were to happen, the prospects for the UK's competitive recruitment of staff are very concerning.
- **Salary thresholds.** We do not accept that salary is an appropriate proxy for skill level. As strongly articulated in our July 2015 submission to the MAC, salary levels in the higher education sector are lower than might be found at equivalent skill level in the commercial sector. Raising the thresholds is likely to prevent universities from recruiting to fill these vacancies. Alternatively, it could have the unintended consequence of inflating non-EEA salaries. We believe that qualification level should be prioritised within the criteria for determining skills shortages and highly specialist experts, with PhD level being a key marker of specialist knowledge.
- **Skills levy.** We believe that universities should be exempt from a skills levy because of the substantial role that universities already play in developing the skills base and employability prospects of the UK workforce. To financially penalise universities as recipients of public funding (with public funding accounting for a greater proportion of teaching funding in Scotland than in the rest of the UK) would be to remove funding that was already earmarked for the skills development of UK citizens.

Approach to the consultation

- This submission does not address each of the consultation questions individually. Instead it focuses on five main issues as raised by the consultation into to the immigration of highly talented staff and students under the Tier 2 route.
- Paramount amongst these issues for us, and the subject of the MAC's first consultation question, is the likely economic impact of the proposed changes. We address that issue first as we feel there would be a very real and very damaging economic impact if the Tier 2 visa route was further restricted in the manner proposed. We are able to highlight this in some ways which are specific to Scotland and therefore warrant a separate response from that which Universities UK has prepared.
- The other issues we focus on in this submission include: dependents of those on a Tier 2 visa, selection criteria, the extended shortage occupation list and the proposal for a skills levy.
- Universities UK will make a separate and fuller submission. Universities Scotland is fully supportive of the Universities UK submission. We make additional points in this submission only where there are Scottish data or where there are issues specific to Scotland which we feel the MAC needs to be aware of.
- Finally, Universities Scotland did provide written evidence to the MAC's earlier call for evidence on Tier 2 which closed on 3 July 2015. As many of the questions cover the same ground (with questions 21-30 repeated from the early consultation exercise) we have not repeated our answers in full here. We have included our earlier submission as an annex.

1. Economic impact (question 1 in the consultation)

MAC Question: What impact, if any, will reducing the level of Tier 2 migration have on the economy? What are the reasons for your answer?

Overall economic impact

- Scotland's higher education sector of 19 institutions has an annual economic impact of £11 billion gross value added and supports over 140,000 jobs directly and indirectly. Within this, the value of the Scottish sector's export income, derived entirely from our international activity, stands at £1.5 billion of services in 2013/14.
- This economic contribution is realised as a result of the sector's excellence and competitiveness on an international stage, which is achieved only on the ability to attract and retain the best and brightest staff and students from across the globe. Reducing the scope of the Tier 2 route would make the sector less competitive on the global stage, it would substantially undermine the university sector's capacity to export and would put the sector's considerable economic contribution at risk.
- In Scotland, higher education plays a particularly important role in attraction of inward investment. Scotland is the most successful region within the UK, outside of London, in attracting foreign direct investment.¹ Many of those investors cite the research excellence and highly skilled talent of higher education as part of the set of 'pull' factors that led to their location and investment in Scotland. FMC Technologies, Daktari, ResHydro and Toshiba Medical are all companies who credited Scotland universities as a determining factor in their decision to locate, and create jobs, in Scotland.² Inward investment into Scotland has been responsible for the creation of 37,000 jobs in Scotland over the last ten years.³

¹ <http://www.scotsman.com/business/management/scotland-rivalled-only-by-london-for-inward-investment-1-3784548>

² Universities Scotland (2012) *Grow, Export, Attract, Support*.

³ <http://www.scotsman.com/business/management/scotland-rivalled-only-by-london-for-inward-investment-1-3784548>

International staff, recruited through Tier 2, are essential to excellent research which generates significant economic benefit.

- High levels of staff mobility are characteristic of a strong and successful higher education sector. Attracting the best staff, from all over the world, is essential to the strong research and teaching performance of a university sector and the economic impact it can deliver in the country it operates.
- Scotland's ability to attract top international talent demonstrates the international standing of the research base in Scotland.
- 13.7 per cent of staff on an academic contract in Scotland's 19 higher education institutions are from outside the EEA.⁴
- 48% of UK research is internationally co-authored and articles of this nature are more highly cited. Scotland has the highest field-weighted citation impact of all the UK devolved nations. Scotland also receives 15.5% of the UK's total citations.⁵
- Any measures to reduce the level of Tier 2 migration that adversely affects universities' ability to recruitment international staff will have a seriously detrimental impact on Scotland's research competitiveness, which would inevitably result in the loss of competitive research contracts and will, given time, erode the scale of the sector's economic contribution.
- It is widely acknowledged that research and innovation plays a strong role in the total factor productivity of a country.⁶⁷ This is supported by both the Scottish Government⁸⁹ and the UK Government.¹⁰ In Scotland, the total gross expenditure on research and development (GERD) is disproportionately supported by higher education research and development (HERD) at 49 per cent of all GERD in Scotland compared to 30 per cent of all GERD in England.¹¹ If Scotland's performance in HERD were to be compromised in terms of volume or quality – as a result of a reduction in our inability to recruit the right staff - this could have a disproportionate impact on Scotland's rate of total factor productivity with the consequential economic impact.

Case studies of economic and social impact

- It may be helpful to illustrate the contribution that international research staff make to their universities and more widely to the UK economy and society through reference to specific individuals currently working in Scotland's higher education sector.

⁴ HESA Staff record 2013/14

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263729/bis-13-1297-international-comparative-performance-of-the-UK-research-base-2013.pdf

⁶ <http://blog.hefce.ac.uk/2015/09/15/innovation-research-and-the-uks-productivity-crisis/>

⁷ NESTA (2009)

https://www.nesta.org.uk/sites/default/files/innovation_knowledge_spending_productivity_growth_uk_report.pdf

⁸ <http://news.scotland.gov.uk/Speeches-Briefings/First-Minister-at-Times-CEO-Summit-1b2d.aspx>

⁹ <http://news.scotland.gov.uk/Speeches-Briefings/First-Minister-Business-innovation-1da9.aspx>

¹⁰ Policy paper: 2010 to 2015 government policy: research and development (Updated 8 May 2015)<https://www.gov.uk/government/publications/2010-to-2015-government-policy-research-and-development/2010-to-2015-government-policy-research-and-development>

¹¹ Scottish Government () gross expenditure on research and development data. Tables 1, 2 & 3c. <http://www.gov.scot/Topics/Statistics/Browse/Business/RD/GERDTables>

- The examples below from the University of Dundee and University of Glasgow clearly demonstrate the significant positive impact that international staff (American and Australian in these cases) have delivered.
- In the case of Dundee University, the ability to attract an individual academic has been instrumental in the generation of £25 million of economic impact for the university and the establishment of a new global business and resultant job creation. Named “Overall Innovator of the Year” by one of the UK Research Councils, this significant contribution has been delivered by an academic recruited to the UK before he was on the professorial grade. The long-term but unquantifiable economic impact this academic has made to the development of life sciences in the Tayside region of Scotland should not be overlooked.
- In the case of the University of Glasgow, there are significant health and societal impacts arising from the University’s ability to recruit international academics who have been an integral part of the advancement of patient care for cancer, with a particular focus on personalised cancer care in Scotland through genotype guided treatment.

The ability to recruit the individuals described in both cases would be put in real jeopardy if the proposed restrictions to Tier 2 had applied at the time of their recruitment to Scotland.

Case study one: Professor Jason Swedlow, cell biologist and light microscopist at the University of Dundee, US national.

Professor of Quantitative Cell Biology at the School of Life Sciences, Prof Swedlow was born and educated in the USA, with his scientific training at the University of California, San Francisco and Harvard Medical School. He established his lab at Dundee in 1998 as an Honorary Lecturer, and rapidly established himself as a world leader in the study of mechanisms of cell division and in the development and application of imaging technology to study the structure and dynamics of cells and tissues.

Promoted to Professor in 2007, Swedlow has authored over 50 peer-reviewed papers published in top-tier journals, and has an h-factor of 48, a measure of a scientific researcher’s impact¹². He has been awarded over £25 million in research funding from UK Research Councils, charities and the European Commission. These funds have supported many postdoctoral researchers, PhD students and software developers who have moved to Dundee from all over the Europe and North America. In addition, Swedlow has received several awards that support imaging and computational resources used by the many other researchers at Dundee University’s School of Life Sciences and are the foundation for many other successful recruiting drives and funding applications by School of Life Science researchers.

Since 2002, Swedlow has led the Open Microscopy Environment (OME), an international consortium that builds open specifications and open source software for big image data that are used worldwide in academic labs, biotech research and pharmaceutical drug discovery. Swedlow founded Glencoe Software in 2005, which delivers expertise and tools developed by Swedlow's OME group to the biopharmaceutical and publication industries. Its products are used around the world. Glencoe currently has 13 employees and is growing rapidly in the UK and US. Professor Swedlow was named “Social Innovator of the Year” and “Overall Innovator of the Year” in the Biotechnology and Biological Sciences Research

¹² Hirsh of the h-factor suggested that after 20 years an “outstanding scientist” would have an h-factor of 40. <https://en.wikipedia.org/wiki/H-index>

Council's inaugural Excellence with Impact Awards at a UK level in 2011. Dundee Life Sciences won the "Greatest Impact" award at the same ceremony.

Case study two: Andrew Biankin and Sean Grimmond at the University of Glasgow. Australian nationals.

Over the past few years genotype-guided therapy is increasingly becoming a reality in breast, melanoma, NSCLC and colorectal cancers where treatment choice is based on molecular diagnostic tests that identify drug targets or biomarkers of response/resistance. This approach holds great promise but is challenging to implement.

The work of our Translational Cancer Research Group is aimed at developing approaches to apply and test personalised medicine strategies based on genomic sequence data. Potentially rapid gains can be made through matching genetic aberrations with sensitivity to therapy by a specific drug, and then testing efficacy when used in the correct context, that is, the presence of the target for which the drug was made.

Next generation sequencing technologies make it possible to undertake genetic testing of tumour DNA across many genes and pathways, whether or not there are known candidate aberrations. As co-Leads of the Australian Pancreatic Cancer Initiative (www.pancreaticcancer.net.au), part of the International Cancer Genome Consortium (www.icgc.org), Andrew Biankin and Sean Grimmond and their teams have used these technologies to sequence ~400 pancreatic cancers. Their goal is to identify those patients who harbour specific mutations that render their tumour potentially sensitive to a particular drug.

Three senior academics relocated from Australia in 2013 to the Wolfson Wohl Cancer Research Centre. Each was sponsored under Tier 2 by the University of Glasgow. The vision of this new centre is to accelerate scientific discoveries into patient care for cancer, with a particular focus on genotype guided (personalised) cancer care in Scotland.

Implementation of the proposed restrictions on the Tier 2 route that are the subject of this current consultation would effectively cease the University's ability to sponsor such individuals to deliver on world leading initiatives such as this case study. This work would effectively cease with a hugely significant and detrimental impact on our research innovation, knowledge exchange and the associated financial implications to the University, Scotland and wider UK society.

International students, recruited through Tier 2, have a substantial and direct economic impact in Scotland.

- As MAC is well aware, Tier 2 is the only remaining route for international graduates from UK universities hoping to retain the right to remain and work in the UK.
- When Tier 1, the former route for international students seeking leave to remain and work in the UK, was discontinued in 2012 it had an immediate and direct adverse impact on applications from key international students market including India, Pakistan and Nigeria. The numbers of international students coming to Scotland from these countries have fallen by

over 45 per cent, 25 per cent and 9 per¹³ cent since 2012. India had traditionally been one of Scotland's biggest markets for student recruitment.

- As around half of all international students see the option of working in the UK for a short period as attractive¹⁴ the imposition of further restrictions on Tier 2 would only serve to exacerbate this downward trend in student recruitment.
- The international student recruitment of Scotland's 19 higher education institutions generates £402.6million per year in fees and £494million in off-campus expenditure to Scotland's economy.
- Scottish institutions see significant slowing of growth in international students coming to the UK and Scotland specifically, whilst global mobility increases at pace so do competitor nation's enrolment figures. Hence, institutions experience loss of revenue based on student fee and related income from priority markets which in turn affect negatively institutions' planning and long-term targets in support of institutional strategies.
- As UUK's submission points out, the UK already has one of strictest set of conditions for its international graduates amongst key competitor countries. The new entrant route under Tier 2 allows just four months to find substantive employment meeting a range of requirements, including a minimum salary threshold. In many of our primary competitor markets for international students, such as Canada and New Zealand, a minimum salary is not specified, nor is a job offer required in order to secure a post study work visa. Action to further limit migration through this route will be detrimental to our universities and to the wider UK economy.
- We believe there should be a separate post-study work route for highly talented international graduates. We would be happy to see this delivered for Scotland, as recommended in the Smith Commission report, or for the whole of the UK.

2. Dependants (question 18)

- Universities Scotland is opposed to the suggestion that dependants of Tier 2 migrants might lose their unrestricted right to work in the UK.
- We believe that dependants should retain the right to work if that employment is at NQF6 (which equates to SCQF 7/8) or above.
- The right to work for spouses or partners of high skill migrants is standard in Australia, New Zealand and Canada.
- At present, the unrestricted right to work is one of the only advantages that the UK visa policy has over the United States. To lose this would be to see Scottish and UK universities lose out to America in the recruitment of international staff.
- The loss of this right from the Tier 2 route would be likely to have a significant and adverse impact on universities' ability to recruit international staff and international PhD students as at a majority of those people holding Tier 2 visa bring dependants with them and want to do so.

¹³ HESA student record, 2011/12-2013/14

¹⁴ NUS (2014), Submission to the APPG on Migration Inquiry into the PSW route, available at: <http://www.nusconnect.org.uk/resources/open/international/NUS-Submission-to-the-All-Parliamentary-Group-on-Migration-Inquiry-into-the-Post-Study-Work-Route/> (accessed 26 September 2014)

- Data collected by UCEA/Permits Foundation study¹⁵ found that 79 per cent of dependents across the UK are working in highly skilled occupations including professional, technical or managerial roles. Their economic activity, in skilled roles, makes a further, positive, contribution to the economy through increased taxation and spending power.
- As Tier 2 migrants and their dependants are not permitted to access public funds but are able to contribute economically if working through tax and national insurance contributions the UK stands to make a net economic gain.

3. Selection criteria for highly specialised and skills shortages (question 4, 13, 14)

- Research is highly creative, it involves some of the most intellectually able and technically skilled people. It thrives on ‘young blood’ and is a global endeavor. Skills are both rare and high in demand. Creating barriers to the employment of such emerging early career rising ‘stars’ would be detrimental for the UK’s academic research base, one of the UK’s genuine areas of outstanding success.
- Scotland’s research base in particular is one of a few Scottish industries which is unequivocally world class. The 2014 Research Excellence Framework found that 86 per cent of Scottish research submitted had an ‘outstanding’ or “very considerable” impact. 76 per cent was judged to be of: “world leading” or “internationally excellent” quality.¹⁶

Salary thresholds.

- We do not believe that pay thresholds are an appropriate means to determine the skill level of those seeking to work through the Tier 2 route.
- As indicated more fully in our July 2015 submission, salary levels in academia do not correlate with skills levels as the higher education sector does not pay salaries that are comparable with the private sector despite the specialisation people holding these roles might be bringing to research teams. Therefore pay is a blunt proxy to use to determine skill and specialisation.
- If the salary thresholds were to be increased this would cause significant problems for universities looking to fill specific skill-gaps amongst their academic teaching and research staff. If this were to be taken forward there would need to be HE sector specific minima to avoid causing real damage to Scotland’s universities.

Anticipating skills shortages.

- It is difficult for higher education institutions to predict skills shortages; a difficulty common to many industries. However, there is a known shortage of Scottish and UK students in secondary and higher education studying science, technology, engineering and maths (STEM) subjects meaning that less people will come through to the teaching and research level over the next generation at least.
- Looking outwith the higher education sector as an employer, to the labour market in Scotland more broadly, Scotland faces skill gaps in the fields of STEM. The Skills Investment Plans developed by Skills Development Scotland (SDS) for the engineering, life sciences and ICT and digital technologies, to name a few, cite shortages in “high-skill” personnel and the challenge

¹⁵ Data extract from survey by Permits Foundation to access the mobility and social impacts of restricting the right of dependants of Tier 2 visa holders to work in the UK (September 2015).

¹⁶ REF 2014. See: <http://www.universities-scotland.ac.uk/index.php?mact=News,cntnt01,detail,0&cntnt01articleid=196&cntnt01origid=18&cntnt01returnid=23>

of: *“increased competition to source top talent” and the: “need to attract and anchor key skills... promoting Scotland globally as a life science career location of choice.”*¹⁷

- International (non-EU) staff are particularly important as researchers in the science, technology and engineering disciplines in Scottish higher education institutions where they form a higher proportion of staff. In Scotland, international staff count for 20 per cent of research staff in biological, mathematical and physical sciences and 30 per cent of research staff in engineering and technology.¹⁸
- Some research grants specifically require international collaboration and are often awarded within short timeframes which necessitates a short turnaround between awarding the grant and recruiting the researchers. Skills shortages in these situations can be difficult to predict with a given lead time.

4. The shortage occupation list (questions 10-14)

- Universities Scotland would be extremely concerned about any move to limit Tier 2 sponsorship to ‘shortage occupations’ and ‘highly specialised experts’ should academic staff and researchers not be included within these categories.
- There is an argument to say that all job titles that reflect the role of lecturers and researchers within higher education should be added to the shortage occupation list. As universities have to pass the Resident Labour Market Test before recruiting internationally this provides the necessary reassurance to the UK Government that the role cannot be filled by a UK national and that there is, in fact, a shortage of people with the right skills and specialist knowledge. These roles would include (but may not be limited to):
 - Research Assistant
 - Research Associate
 - Knowledge transfer Associate
 - Lecturer
 - Research Fellow
 - Teaching Fellow
 - Senior Lecturer
 - Senior Research Fellow
 - Senior Teaching fellow
 - Assistant Professor
 - Associate Professor
 - Professor
- Alternatively, two SOC codes could be used to apply to all teaching or teaching/research roles (2311) and all research roles (2321 or 2119) in a university.
- In our view, the most important criteria for the recruitment of HE staff should be that an applicant holds a PhD or equivalent which is a marker, of international recognition, that the individual holds expertise in their field.
- Given the variable dynamics and nature of particular subject disciplines within teaching and research, it is not easy to comment on an appropriate length of duration for shortage occupation which may subsequently place an artificial constrain on future developments in this regard.

¹⁷ Skills Development Scotland (2014) Skills Investment Plan Life, Sciences and Engineering.

<http://www.skillsdevelopmentscotland.co.uk/resources/skills-investment-plans/>

¹⁸ HESA Staff record 2013/14.

5. Skills levy (question 17)

- Scotland's 19 higher education institutions are absolutely committed to the training, development and employment of UK workers. This is demonstrated in detail below.
- We are supportive of the Scottish and UK Government's drive for more *high quality* apprenticeships as part of the UK's skills development. Universities are apprentice employers, for some roles including engineering technicians.
- However, apprenticeship-level skills will not meet the vast majority of the skills needs of the university sector. 70 per cent of university staff in Scotland who undertake teaching, research or both hold a postgraduate qualification as a minimum (SCQF level 10). By comparison in Scotland Modern Apprenticeships sit at SCQF level 4-7 and Technical Apprenticeships at SCQF level 8-9.¹⁹
- It is also worth noting that there are differences between apprenticeship schemes across the devolved administrations. It is not clear from the consultation document how this is being factored into UK Government plans for the skill levy or how distribution of the levy would work across different administrations.
- Universities are only successful in the recruitment of international staff through the Tier 2 visa where they can satisfy the Resident Labour Market Test, effectively demonstrating they are not able to fill the role with a UK-national.
- It is for these reasons that we believe a skills levy would not deliver the UK Government's objectives in so far as reducing the need universities have to recruit non-EEA staff.
- A skills levy applied to universities would, however, financially penalise a sector that is instrumental in the development of Scotland's skills base and would divert funding away from that purpose.
- Universities Scotland believes that higher education institutions should be exempt from such a skills levy.

The university role in improving the employment prospects of Scottish and UK nationals.

- 73 per cent of the student population in Scotland is of UK domicile. Developing the employability skills of those UK students and graduates has been a key priority for the Scottish HE sector and is one in which we have had considerable success given Scotland has the highest rate of positive destinations of graduates six months after completion of studies and the highest rate in the UK of graduates in employment who are employed in professional occupations.²⁰
- The sector is proactive in identifying where the Scottish or UK-skills base is underrepresented in higher education study and developing policies to address this. An example would be the relative underrepresentation of Scottish domiciled students studying at postgraduate taught level (masters qualifications) in Scotland compared to international students. First highlighted by Universities Scotland, a working group commissioned by the Scottish Government has been investigating what policy and funding solutions can be put in place to address this and increase the number of postgrad taught Scottish and UK-domicile students.
- Universities also have a role in the delivery of continuing professional development of the UK's existing workforce to ensure that those who are economically active remain competitive

¹⁹ HESA Staff record, 2013-14.

²⁰ HESA destinations of leavers of higher education 2015.

in the labour market through the attainment of new skills or retraining in different areas. Scottish higher education delivered over 150,000 learner days of CPD in 2012/13.²¹

- We hope this demonstrates the scale of the sector's commitment to, and role in, the skills development and training of UK workers.

ENDS

Annex A

Universities Scotland submission to the MAC consultation on the Review of Tier 2: Salary thresholds. Closed 3 July 2015.

**Universities
Scotland**



Universities Scotland (US) welcomes the opportunity to input evidence into the Migration Advisory Committee's consideration of salary thresholds for tier 2 visas for international (non-EU) students.

Universities Scotland has chosen to make a separate response to that of Universities UK (UUK) in order to draw on data for Scotland and Scottish institutions where possible. There are different demographic, economic and political circumstances of relevance to this inquiry in Scotland which merit a separate note. However, we fully support UUK's submission to the inquiry. We recommend that our response is read along with that of UUK's (and in some cases the submission from the Universities and Colleges Employers Association, UCEA) as UUK was able to access some data which was either unavailable to US or which is only available at UK level (including salary information for academic staff which is negotiated at UK level).

Tier 2 is a route used by new graduates of UK universities of international (non-EU) nationality who want to work in the UK. It is also the route by which international (non-EU) staff employed by universities can work in the UK. Therefore, this submission responds on behalf of universities both as recruiters of international students and as employers of international staff.

This response sets out some initial comments before answering each of the MAC's questions in turn.

²¹ HESA HE Business and Community Interaction Survey 2012-13.

Support for more high-skill migration, not less.

- Universities Scotland disagrees with the premise from which the consultation begins. We do not want to see a reduction in the number of visas allocated under the Tier 2 route. We want to see an increase in opportunities for highly-skilled graduates to stay and work and contribute to Scotland's economy.
- There is strong support for this amongst Scotland's universities, their staff and students, amongst employers in Scotland and there is cross-party support for this within Holyrood. Many employers were amongst the 160 organisations to sign a statement of support for the introduction of a more competitive post study work route for international students in June 2015.²²
- Lord Smith's Commission on further powers for Scotland recommended the UK and Scottish Government should discuss the possibility of a limited variation in immigration policy for Scotland to allow a post study work route for international students (which relates most closely to new entrants into the labour market under Tier 2).²³
- Scotland has distinct demographic challenges that differ from the rest of the UK and which increased in-migration of high-skill people could help address. Between 1971 and 2012 Scotland's population grew by only 1.5% compared to 15% in England. Scotland's proportion of the population of working age is also untypically low and is forecast to fall by 4% during the period 2012 and 2037 whilst the number of people aged over 65 years is projected to rise by 59%.²⁴
- Scotland's labour market faces skill gaps in a number of areas including the fields of science, technology, engineering and maths (STEM). The Skills Investment Plans developed by Skills Development Scotland (SDS) for the engineering, life sciences and ICT and digital technologies, to name a few, cite shortages in "high-skill" personnel and the challenge of: *"increased competition to source top talent" and the: "need to attract and anchor key skills... promoting Scotland globally as a life science career location of choice."*²⁵
- The 2012 closure of Tier 1 as a route for international graduates wanting to work in the UK after their studies and transferal into Tier 2 put further pressure on the Tier 2 route. This pressure will be further exacerbated if the number of visas available through Tier 2 reduces from the current cap of 20,700.
- It is our view that the 2012 decision has been detrimental to UK universities' competitive position in attracting international students; an area of activity worth over £800 million to Scotland annually (further detail is provided in answer to question 3).
- As UUK's submission points out, the UK already has one of strictest set of conditions for its international graduates amongst key competitor countries. The new entrant route under Tier 2 allows just four months to find substantive employment meeting a range of requirements, including a minimum salary threshold. In many of our primary competitor markets for international students, such as Canada and New Zealand, a minimum salary is not specified, nor is a job offer required in order to secure a post study work visa. Action to further limit migration through this route will be detrimental to our universities and to the wider UK economy.

Higher education thrives on the exchange of people and ideas

- High levels of staff and student mobility are characteristic of a strong and successful higher education sector. The flow of people and their ideas across national boundaries contributes to

²² <http://news.scotland.gov.uk/News/Scotland-s-colleges-back-return-of-post-study-work-visa-1a9c.aspx>

²³ Smith Commission, pg 28

²⁴ UK Government Scotland Analysis: Work and Pensions, April 2014

²⁵ Skills Development Scotland (2014) Skills Investment Plan Life, Sciences and Engineering.

<http://www.skillsdevelopmentscotland.co.uk/resources/skills-investment-plans/>

high quality research that fuels innovation and economic growth. Scotland's ability to attract top international talent demonstrates the international standing of the research base in Scotland.

- The recent Research Excellence Framework (REF) judged 77 per cent of all research submitted from Scottish universities to be internationally excellent or world-leading (3* and 4*).
- 48% of UK research is internationally co-authored and articles of this nature are more highly cited. Scotland has the highest field-weighted citation impact of all the UK devolved nations. Scotland also receives 15.5% of the UK's total citations.²⁶
- We would be concerned about any change to Tier 2 that increased the difficulty of employing international (non-EU) staff as this would have the potential to undermine the quality of Scotland's, and the UK's, research strength.

Timescale.

- A two week consultation period for stakeholders (18 June to 3 July) is inadequate to allow stakeholder access to and analysis of the data needed to make a fully informed response.
- The two week period which follows and which the consultation indicates the Home Office has provided MAC to use to offer "early advice" to the Home Office before Westminster rises is also inadequate. It does not allow for the development of careful and informed recommendations to the Home Office.

MAC Questions

1. How do the existing salary thresholds for Tier 2 compare to, and impact on, the overall wage distribution for each occupation?

Universities as employers:

- The existing salary thresholds under Tier 2 map precisely to the higher education sector's JNCHES 51 point pay spine. New entrants to the HE sector align to point 22 of the pay scale, which is the typical grade minimum for an early career lecturer. Experienced workers align to point 30 which is the typical grade minimum for a lecturer.
- UUK is confident that as current thresholds are aligned to typical academic grading structures found in UK HEIs, there is no evidence to suggest that these thresholds have had a material impact on salary distribution or growth that would be different to that if only UK-domiciled applicants were employed.
- The National Framework Agreement (NFA) for higher education staff places a condition on employers that have implemented the agreement locally that all staff, irrespective of nationality, will be placed on the appropriate grade for the job. This precludes undercutting of wages.
- We are concerned that increasing the minimum salary thresholds to the 50th or 75th percentile could artificially inflate the salaries of non-EEA workers as they would need to be placed higher up the grade than resident workers with equal skills and experience.
- The UUK and UCEA submissions to the MAC consultation provide more information which is applicable to Scotland's higher education institutions as the pay spine and annual increases are negotiated on a UK-wide basis.

²⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263729/bis-13-1297-international-comparative-performance-of-the-UK-research-base-2013.pdf

2. What types of jobs and occupations are done by highly-specialised and/or highly skilled experts, and is pay a good proxy for this high level of skill of specialisation or skill?

Universities as employers:

- International (non-EU) staff working in Scotland's universities are overwhelmingly employed in academic roles of teaching, research or teaching *and* research (78.4 per cent of international staff hold these roles in Scottish institutions compared to the UK figure of 73 per cent).
- International (non-EU) staff are particularly important as researchers in the science, technology and engineering disciplines where they form a higher proportion of staff. In Scotland, international staff count for 20 per cent of research staff in biological, mathematical and physical sciences and 30 per cent of research staff in engineering and technology. International staff also count for 22 per cent of researchers in design, creative and performance arts in Scotland.²⁷
- Academic staff are typically educated to PhD level (NQF 8/SCQF 12), as the UCEA submission confirms, and hold a high degree of specialised knowledge and experience in a particular field.
- Pay is a blunt proxy for skill and specialisation. The higher education sector does not pay salaries that are comparable with the private sector despite the specialisation people holding these roles might be bringing to research teams. Pay alone cannot be used to determine the skill-level or niche level of specialisation.
- Pay is only one aspect of the remuneration and benefits package paid to HE staff which includes a generous pension scheme and holiday entitlement. Taken collectively, this is an attractive package but the salary alone is not a useful indicator of skill level.
- The UCEA submission provides more detail on the salaries of HE staff.

Universities as recruiters of international students:

- The jobs held by graduate new entrants to the labour market are overwhelmingly "professional" and therefore require a high skill level. The HESA Destinations survey (DLHE) for 2013/14 shows that of those graduates from Scotland's universities going straight into paid employment within six months of graduation 73 per cent hold "professional occupations". This compares to the UK average of 68 per cent.²⁸ HESA considers the following standard occupation classifications (SOC) to be 'professional': *Managers, directors and senior officials, Professional occupations, Associate professional and technical occupations*.²⁹
- At the new entrant level within Tier 2, graduates are just starting out in their careers with potential to grown into professionals with very high levels of specialisation. The mean average salary for UK graduates six months after completion of their studies is £21,500.³⁰ HESA's Destination of Leavers survey (DLHE) makes a determination about "professional occupations" or graduate-level jobs.
- Qualification level should continue to serve as a proxy to determine high skill and specialisation.

Q3 What would be the impact of increasing the thresholds to a level that better aligns with the salaries of highly-specialised and/or highly skilled experts?

²⁷ HESA Staff record 2013/14.

²⁸ HESA (2015) Destinations of Leavers of Higher Education for 2013/14.

²⁹ <https://www.hesa.ac.uk/content/view/2889#SOC>

³⁰ HESA DLHE. This figure is a UK average.

Universities as employers:

- At present the salary thresholds set for higher education staff already align to the salaries of high-specialised and/or highly-skilled experts as they are matched to the appropriate grade entry points for such roles.
- If the salary thresholds were to be increased this would cause significant problems for universities looking to fill specific skill-gaps amongst their academic teaching and research staff.
- Universities have highly structured progression routes for employees. It can take years to progress to reach the medium-upper percentiles.

Universities as recruiters of international students

- The latest HESA DLHE shows the mean average full-time starting salary in Scotland for graduates six months after completion of studies is £22,500. This is just over the current threshold level of £20,800. This average salary is achieved with 73 per cent of graduates in work holding 'professional' jobs in Scotland.³¹
- Graduates often start their careers on relatively low salaries but many can expect fairly rapid salary progression thereafter. However, this is dependent on the role and type of employer.
- If the current threshold salary were to be raised it would preclude many international graduates from taking up professional level jobs in Scotland. This would be sure to have a further negative impact on the attractiveness of Scotland's universities (and UK universities) as a destination for higher education.
- The loss of the Tier 1 route in 2012, which had previously allowed international graduates to find work, had an immediate and negative impact on the recruitment of international students to Scotland's universities. Up to academic year 2011/12 the number of international students at Scotland's universities had been gradually increasing year on year. Since this point the number has declined by 4 per cent to 2013/14. The impact on recruitment of Indian students, who particularly valued the option of post study work, has been much greater. Since the loss of Tier 1 in 2012 the number of Indian students studying in Scotland's universities has fallen by 60 per cent.³² India had traditionally been one of Scotland's biggest markets for student recruitment.
- There is every reason to believe that further restricting post study work opportunities, by increasing new entrant salary thresholds, would have further negative consequences for universities' international student recruitment.

Q4. Impact of increasing the thresholds to a level that restricts the route to occupations which are experiencing shortages skilled to NQF level 6 or higher?

Universities as employers:

- Academics and researchers typically hold PhDs (NQF level 8/SCQF level 10) so institutions would be largely unaffected by an increase in the threshold to NQF 6 as far as the recruitment of academic staff are concerned.

Universities as recruiters of international students:

³¹ HESA DLHE 2012/13. The complete DLHE data set for 2013/14 is due out at the end of July 2015.

³² HESA Student record. Data for students at all levels of study between 2009/10 to 2013/14.

- The vast majority of international students graduating from Scotland's universities do so with a bachelor's degree or higher (95 per cent) and would expect, if applying to stay in the UK, to find graduate-level jobs specifying NQF6 or higher.
- However, a very small proportion of international, non-EU graduates from Scotland's universities do so with sub-degree level qualifications in the form of HNDs or a Diploma of HE. This accounted for 0.9 per cent of all international, non-EU students from Scotland's universities in 2012/13.³³ This group of students would not be able to find employment in the UK if the qualification level for occupations was raised to NQF6. This could have an impact on the attractiveness of studying these qualifications at Scottish, and UK, institutions. International students graduating at HN level are found at disproportionately few institutions in Scotland in relatively small numbers (no more than double-figures per institution).
- This proposal is likely to adversely affect the attractiveness of the college sector to international students. More than 99 per cent of the higher education delivered by colleges in Scotland is sub-degree level; below NQF 6.³⁴ These graduates would not be eligible to seek employment under Tier 2 if the qualification level were to increase. This could have a detrimental impact on the college sector's ability to attract international students.

Q5: What would be the impact of increasing the Tier 2 minimum thresholds from the 10th to the 25th percentile for each occupation for new entrant workers?

Universities as employers:

- Universities use the new entrant route for the recruitment of early career researchers and academics.
- Use of the ASHE for the determination of salary thresholds is problematic for occupations in higher education. Our concern about ASHE and our preference that the Codes of Practice for academics and researchers are linked to the sector's UK-wide National Framework Agreement, not ASHE, applies to our answers to questions 5 to 7.
- An increase from the 10th to 25th percentile would have a significant impact on minimum salaries making this far more restrictive. As an example, the use of the 25th percentile for new entrant *researchers* would increase the minimum salary required to be paid by universities by 40.6 per cent from its current level of £21,000 to £29,518.
- Requiring institutions to recruit at the 25th percentile of ASHE data would mean that academics and researchers at the start of their careers would need to meet salary levels well above the level normally applied to new entrants.
- UUK's submission makes a more detailed response which is directly applicable to the HE sector in Scotland.

Universities as recruiters of international students:

- Increasing the current salary thresholds for new entrants from the 10th to the 25th percentile would impact heavily on international graduates seeking to enter into many professions (outside of the higher education sector) due to the relatively low starting salaries these people can expect (as covered in the answer to question 3).

³³ HESA Student record 2012/13.

³⁴ Scottish Funding Council Infact database. Full-time equivalent students by qualification aim of study. 2013/14.

- There are a number of occupations where graduates currently earn, on mean average, less than the current 10th percentile of earnings, including teaching professionals (SOC 231), IT professionals (SOC 213), architects, town planners and surveyors (SOC 243) and media professionals (SOC 247).
- UUK has modelled the salary data for graduates after six months of finishing university using DLHE and mapped this against occupations within the scope of the MAC consultation. It found the graduate starting salaries fall below the 10th percentile for 12 occupations.
- This makes it very difficult for the majority of non-EU graduates seeking employment within these sectors to qualify for a Tier 2 (General) visa under existing rules.
- If the salary threshold were increased to the 25th percentile, a further 19 occupations would fall below the threshold. It would be virtually impossible for non-EU graduates to enter into these professions in the UK.
- We do not consider it realistic to expect new entrants to the labour market to command salaries at this increased level.

Q6: What would be the impact of increasing the Tier 2 minimum thresholds from the 25th to the 50th or 75th percentiles for each occupation for experienced workers?

Universities as employers:

- Scotland's universities would face the same impact from this proposal as universities in the rest of the UK. The UUK and UCEA submissions fully set out the risks to the university sector if the ASHE data is applied to HE professionals for experienced workers.
- Because the ASHE takes no account of the experience level or seniority in the role the ASHE salary percentiles are artificially high. Using this data, but set at the 50th or 75th percentile rather than the 25th, would preclude the appointment of all international staff except at professorial level. This could be devastating for higher education.
- As with our answer to question 5, we want to see the Codes of Practice for academics and researchers linked to the sector's UK-wide National Framework Agreement, not ASHE.

Q7: As an employer, what would the impact of increasing the Tier 2 minimum thresholds on: a) hiring migrant workers from outside the EU; b) hiring migrant workers from within the EU; c) hiring natives?

- The submission from UUK draws attention to a possible unintended consequence of increasing the thresholds to the 25th, 50th or 75th percentiles. Rather than prevent the undercutting of staff of UK nationality, raising the thresholds may actually drive an over-inflation of salaries for international staff to the detriment of their UK counterparts.
- As UUK states, there is no guarantee that increasing the thresholds to make it more challenging to recruit international (non-EU) staff would result in greater employment of EU and UK workers in universities. The skill level and/or specialism that is sought by the university may not exist within UK or EU nationals.

Q8: Are there additional national pay scales or sources of salary data that should be used to set the thresholds?

Universities as employers:

- We concur with the response provided by UUK and UCEA that the 51 point national negotiated pay spine for HE staff remains the basis on which the MAC should set the thresholds for staff working in higher education institutions.

Universities as recruiters of international students (for new entrant workers):

- As the ASHE data takes no account of the experience level of an employee or the time served in the role the salary levels calculated at the 10th, 25th percentiles (and above) are artificially high and pose unrealistic expectations of new entrants to the labour market.
- The salary information in the HESA Destinations survey (DLHE) provides a reliable basis on which to set the thresholds for graduates as new entrant workers. We recommend this is considered as a source of salary information for new entrants to set the thresholds.
- HESA makes a determination of “professional occupations” and it should be possible to determine the average salary of those employed in “professional occupations”. The early statistical return of the Destinations survey has the status of National Statistic. Data are available annually and give a reliable (though time-lagged by 12-18 months) picture of the salaries that new graduates can command.
- The HESA DLHE was considered as a possible source in the 2012 MAC review but discounted on the basis that DLHE was using SOC 2010 rather than 2010 at that time.³⁵ Since then DLHE has adopted the SOC 2010 removing this concern over incompatibility with the ASHE.

Q9: What other appropriate measures would you like to see for determining the minimum salary thresholds?

- Universities Scotland shares the view of UCEA and UUK that the current approach for Tier 2 migrants in SOC 2311 should be retained without recourse to other measures.
- For researchers, (2112, 2114, 2119 and 2426) UUK recommends that the evidence from RCUK and UCEA is considered.
- Any significant increase in the thresholds applied to researchers will significantly affect the UK’s ability to attract early career researchers from outside Europe.

Q10: Should the minimum salary threshold take account of variations in regional pay? If so how?

Universities as employers:

- Salaries for HE staff are subject to the same, UK-wide pay scale and pay bargaining occurs nationally on a UK-wide basis. Therefore, there are almost no regional variations in salaries of HE staff (London weighting aside). Consideration of regional variation would be unnecessary for HE staff.

Universities as recruiters of international students:

- Looking outside of universities as employers, there is evidence of regional variations in pay which should be considered by the MAC and Home Office in order to prevent the setting of thresholds which might serve one part of the UK but at a cost to another.
- Data compiled by UUK as part of its submission illustrates the regional variations that can occur in salary paid to new graduates working in the various occupations including the financial services sector and architecture. New entrants working as trainees in the financial services sector in Scotland can earn between 66 to 81 per cent of the salary of a trainee working in greater London.

³⁵ MAC (2012) Analysis of the Points Based System: List of Occupations Skilled at NQF level 6 and above. Pg 55.

³⁶ An architectural assistant in Scotland typically earns around 87 per cent of the salary of the same role as paid in London.³⁷

- Average (mean) starting salaries for graduates working in Scotland are in the top quartile of regions of the UK as shown in the HESA DLHE.³⁸ However, this belies some regional variations within Scotland and within some occupation groups. Data from ScotGrad, a graduate placement scheme run by Scottish Enterprise, Highlands and Islands Enterprise and AGCAS, the university careers network, shows clear variation in graduate salaries across parts of Scotland. 28 per cent of graduate placements in the South East (Aberdeen to the Scottish Borders) fell in the salary bracket of £16,000 to £18,000. However, this increased to 58 per cent of graduate placements in the Highlands and Islands area.
- Had more time been provided for this consultation we would have been able to provide a fuller evidence base to support this.
- We believe Tier 2 should provide for some regional variation of shortage of occupation across the UK. There is precedent for this within devolved constitutional arrangements as illustrated by the Provincial Nominee Scheme that has run in Canada since 1998 and which allows the provinces to prioritise the skill needs of their economy and select people who meet those needs. More information can be found in the US submission to the Smith Commission.³⁹
- The Skills Investment Plans developed for Scotland by Scottish Enterprise (referenced earlier) identify specific needs of Scotland's labour market. They also identify there is an older workforce in the science, engineering and technology sectors in Scotland which will require a higher rate of replacement than other parts of the UK.⁴⁰

³⁶ Figure 9 on page 22 of Universities UK's submission to the MAC inquiry.

³⁷ Data from the Royal Institute of British Architects cited on pg 21 of Universities UK's submission.

³⁸ HESA DLHE 2012/13.

³⁹ Pg4 <http://www.universities-scotland.ac.uk/uploads/Universities%20Scotland%2029%20Oct%2014%20-%20Smith%20Commission%20Submission.pdf>

⁴⁰ Scottish Enterprise (2014) Skills Investment Plan Engineering.