

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 differences 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.

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 2015.¹
- 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).²
- 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%.³

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

² Smith Commission back page

³ UK Government Scotland Analysis: Work and Pensions, April 2014

- 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."*⁴
- 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 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.⁵
- 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.

⁴ Skills Development Scotland (2014) Skills Investment Plan Life, Sciences and Engineering.

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

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

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.

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 specialization 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.⁶
- Academic staff are typically educated to PhD level (NQF 8/SCQF 12), as the UCEA submission confirms, and hold a high degree of specialized 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 specialization 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.

⁶ HESA Staff record 2013/14.

- 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.⁷ HESA considers the following standard occupation classifications (SOC) to be ‘professional’: *Managers, directors and senior officials, Professional occupations, Associate professional and technical occupations.*⁸
- At the new entrant level within Tier 2, graduates are just starting out in their careers with potential to grow into professionals with very high levels of specialisation. The mean average salary for graduates six months after completion of their studies is £21,500.⁹ 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?

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.¹⁰
- 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

⁷ HESA (2015) Destinations of Leavers of Higher Education for 2013/14.

⁸ <https://www.hesa.ac.uk/content/view/2889#SOC>

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¹⁰ HESA DLHE 2012/13. The complete DLHE data set for 2013/14 is due out at the end of July 2015.

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 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.¹¹ 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:

- 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 2012/13.¹² 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 6.¹³ 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?

¹¹ HESA Student record. Data for students at all levels of study between 2009/10 to 2013/14.

¹² HESA Student record 2012/13.

¹³ Scottish Funding Council Infact database. Full-time equivalent students by qualification aim of study. 2013/14.

Universities as employers:

- Employers 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).
- 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.¹⁴ 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?

¹⁴ MAC (2012) Analysis of the Points Based System: List of Occupations Skilled at NQF level 6 and above. Pg 55.

- 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.¹⁵ An architectural assistant in Scotland typically earns around 87 per cent of the salary of the same role as paid in London.¹⁶
- 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.¹⁷ 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.¹⁸
- 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

¹⁵ Figure 9 on page 22 of Universities UK's submission to the MAC inquiry.

¹⁶ Data from the Royal Institute of British Architects cited on pg 21 of Universities UK's submission.

¹⁷ HESA DLHE 2012/13.

¹⁸ Pg4 <http://www.universities-scotland.ac.uk/uploads/Universities%20Scotland%2029%20Oct%2014%20-%20Smith%20Commission%20Submission.pdf>

in the science, engineering and technology sectors in Scotland which will require a higher rate of replacement than other parts of the UK.¹⁹

¹⁹ Scottish Enterprise (2014) Skills Investment Plan Engineering.