

Culture, Tourism, Europe and External Relations Committee

Inquiry - Immigration

Written submission from ScotlandIS and Technology Scotland (joint submission)

Preface

ScotlandIS and Technology Scotland represent two major sub-sectors of Scotland's Technology Industry:

- **ScotlandIS** is the trade body of Scotland's digital technologies industry, representing more than 250 companies ranging from large multinationals to start-ups in software development, IT services, telecommunications, digital agencies and other sub-sectors. More than 90,000 people work in digital technology roles across Scotland and the sector contributes more than £4.5 bn GVA per year to the Scottish economy.
- **Technology Scotland** is the leading cluster organisation for industry, academia, and other institutes engaged in the Emerging & Enabling (E&E) Technology sectors in Scotland, including photonics, micro and nanoelectronics, advanced materials, nanotechnology and advanced manufacturing. The sector employs over 15,000 people and contributes more than £1.5 bn GVA to the Scottish Economy. Over 20% of Scotland's R&D is carried out within the sector.

Both the digital technologies industry and the E&E technology sectors rely heavily on the availability of people with specialised skills, knowledge and qualifications, mainly for technology related positions but also in support roles such as finance, sales and marketing. 12,800 vacancies arise every year in Scotland in digital technologies roles and a recent Technology Scotland Skills and Recruitment Survey ([source](#)) showed that 61% of surveyed businesses experienced at least one skills shortage¹ in the preceding 12 months. The majority of these shortages were due to technical skills gaps (74%) in areas such as nanotechnology, design, electronic engineering, firmware engineering, photonics, mechanical engineering and software development. Businesses reported that these gaps led to increased workload for current staff, delays in development of new products/services and difficulties meeting customer expectations. Perhaps most worryingly, 31% of businesses cited loss of business as a result of skills shortages.

These skills gaps are currently partly alleviated through the recruitment of staff from other countries, mainly EU nationals, with Scotland's software and IT businesses alone employing 4,000 non-UK EU nationals in 2015, 11.5% of all employees in this sector ([source](#)). Further evidence for the reliance on EU recruitment was highlighted in the Technology Scotland Skills and Recruitment Survey which showed that 34% of businesses regularly recruited from the EU.

¹ This is a vacancy that has remained open for at least 3 months as a result of no suitable candidate being found.

Quick, unbureaucratic and cost-effective access to non-UK labour is vital to allow our members and the wider technology sector to thrive and grow its significant contribution to Scotland's economy. This will become all the more important in post-Brexit Britain. We therefore welcome the committee's inquiry to explore how the UK's immigration policy can best respond to Scotland's demographic and skills needs. Please find below our considerations regarding the options for differentiating the UK's immigration system and how they would respond to the technology sector's skills needs.

Considerations regarding the options for differentiating the UK's immigration system

Proposal 1 (Scottish Migrant Integration & Reception policies) and Proposal 2 (International Outreach Activities in Immigration)

The 'soft levers' described in proposals 1 and 2 have the potential to raise awareness for Scotland as a welcoming and attractive place to live, study and work and thus increase the pool of skilled workers and international students entering Scotland. This is likely to be broadly welcomed by the technology community with both universities and industry likely to benefit.

Anecdotal evidence from ScotlandIS members shows that some companies experienced a significant drop in the number of EU job applicants in the months following Britain's decision to leave the EU. Indeed, some EU nationals who had been offered a position in Scotland, refused it because of the uncertainty around Brexit and concerns about negative attitudes towards non-UK EU nationals in the general public. The proposed "One Scotland, Many Cultures campaign" and associated advertising and promotion activities have the potential to improve the image of Scotland as a migration destination. At the same time, they could help to retain EU nationals who are already in Scotland but may be considering leaving as a result of Brexit. The skills required by Scotland's digital technologies industry and the E&E technology sectors are in high demand around the world. Communicating the advantages of living and working in Scotland more proactively would support businesses in the competition for individuals with these skills who can often choose between several attractive destinations.

However, although these soft levers have the potential to widen the pool of people interested in migrating to Scotland, they must be part of a mix of measures that addresses the substantial administrative and financial burdens that can prevent quick and efficient employment of non-UK citizens.

Proposal 3 (Increasing Scottish influence in UK decision-making)

In principle, increased Scottish influence in decision making on immigration would be welcomed as experts and institutions based in Scotland tend to have a better understanding and awareness of the specific needs of the region, its economy and society. UK immigration policy is often seen as London-centric and increased Scottish involvement could lead to rules more suited to Scotland's needs while improving the acceptance of decisions.

Given that the majority of EU nationals in Scotland are working in hospitality, agriculture, food production, administration business and management and construction, these areas will likely dominate any Scottish representation to the MAC. However, international labour also plays a crucial role in the technology sectors even if the percentage of foreign labour within the workforce is not as high as in the above mentioned industries. We therefore call for a fair inclusion of the technology sectors in any representation to the MAC and an adequate balance between sectors requiring low, medium and high skilled workers.

Skills gaps for technology related roles exist across the UK and are often not Scotland-specific. Expanding the Scottish Shortage Occupation List is therefore less important to our sector at the moment, though this could change in the future. However, the introduction of differentiated minimum salary levels for Scotland would be of more relevance to employers in the technology sectors as the current salary levels used by the Home Office tend to be more aligned with the higher salaries paid in London. Small and medium sized companies in particular struggle to match the required salary levels and risk being priced out of international recruitment if the current salary thresholds for non-EEA workers are extended to EEA-workers. An analysis of the Annual Survey of Hours and Earning showed that the median gross full-time annual pay in digital technologies occupations in 2016 was £51,284 in London, as opposed to £36,683 in Scotland and £40,576 across the UK. In the E&E sector, median gross full-time annual pay was £48,228 in London, £40,875 in Scotland and £43,434 on average in the UK.²

A Population Strategy for Scotland would be very useful in any event to gain a better understanding of skills needs in the country and to inform not only migration policy but also skills development. The development of such a strategy should build on the regional skills assessments performed by Skills Development Scotland and the sectoral skills investment plans.

Proposal 4 (Scottish Sectoral Agreements)

Proposal 4a (postgraduate work visa) and 4c (European Talent schemes) would be of particular relevance to the technology sectors, providing an attractive incentive for international graduates from Scottish universities to remain within the Scottish labour market. 77% of digital technology businesses reported that they are likely to recruit graduates this year ([source](#)), illustrating the strong demand for graduates that a post-study work visa could support. ScotlandIS has previously campaigned for the reintroduction of a post-study work visa and we remain convinced that they would form an important part of the policy mix necessary to close the digital skills gap.

This proposal will be welcomed by Scottish universities who will potentially benefit from increased interest in courses as an entry point to the Scottish labour market. This could also help to counterbalance the anticipated drop in EU student numbers after Brexit. In 2015-16, 16.4% of all EU students coming to the UK studied at Scottish higher education establishments. This is disproportionately high compared to Scotland's share of UK population (8.2%) and its share of non-EU international

² Source: Analysis of [2016 data from the Annual Survey of Hours and Earnings](#), using the ScotlandIS definition for digital technologies occupations, available on page 14 of [this report](#). The definition of E&E technologies occupations is available from Technologies Scotland.

students (9.5%). Presumably this is a direct result of EU students' qualification for free tuition in Scotland. As Scottish universities are likely to lose this competitive advantage post-Brexit, other vehicles to attract EU students need to be found. The establishment of postgraduate work visas would be a suitable measure which has proved effective in the past (Fresh Talent Initiative). A steady supply of university graduates is crucial for the technology sector as explained above.

Proposal 4b (temporary work permits for seasonal migrants) would not be of particular relevance to the technology sectors as labour demand is fairly constant throughout the year.

The original list of proposals in Dr Hepburn's report also included bespoke work permits for specific sectors (see page 82 of report). We would like to include these here as they could respond to the specific needs of the technology sectors. However, if this only includes temporary employment, as the proposal from Dr Hepburn seems to suggest, employers might hesitate to use this route. Pathways into permanent settlement need to be opened up to give employees and employers more certainty. Sector definitions for such bespoke work permits must be considered carefully as the commonly used Standard Industrial Classification codes are not well suited to clearly define the digital technologies sector.

Proposal 5 (devolving administrative aspects of immigration)

On the assumption that the creation of Scottish Work Permit Processing offices would decrease administration time, these would be positively perceived by the technology community. Anecdotal evidence from Technology Scotland and ScotlandIS members shows that the amount of time that is sometimes required to process paperwork for key workers is a concern and hinders business development.

However, compared to other proposals made by Dr Hepburn, this measure would be of lower priority for the technology sectors as a decrease in administration time would not be guaranteed and other measures would offer a higher return on investment for employers.

Proposal 6 (Scottish visa sponsorship scheme) and Proposal 7 (Devolving control over selection to Scotland)

For employers in the Technology Sectors, the key requirements for any visa scheme or immigration system are speed, ease of administration, affordability and sustainability. It is vital that any system put in place facilitates long term employment of skilled workers. Who is ultimately responsible for delivering such systems is of less importance to business provided they are fit for purpose and present low barriers to business growth.

As detailed above, the current immigration system for non-EEA nationals does not always fit the needs of Scottish technology sector employers, particularly in terms of minimum salary levels and regional skills gaps. As a result, our members would welcome reform. However, the delivery mechanism, be it reform of current systems or the establishment of new ones, is less important. What is vital is that employer requirements are met, and future systems are clearly communicated ahead of implementation in time for the end of the freedom of movement for EEA nationals.