

**techUK Response to the Migration Advisory  
Committee Call for Evidence: Salary Threshold  
and Points-based System**

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## About techUK

techUK represents the companies and technologies that are defining today the world that we will live in tomorrow. The tech industry is creating jobs and growth across the UK. More than 850 companies are members of techUK. These companies range from leading FTSE 100 companies to new innovative start-ups.

### Key Recommendations

- **Lower the minimum salary threshold:** salary is not proxy for skill level. The minimum salary threshold should be lowered in line with the change in the skills threshold (now RQF level 3 and above).
- **Abolishing the Shortage Occupation List:** if the annual cap on Tier 2 visas is removed in the future immigration system, as outlined in the Immigration White Paper, techUK recommends abolishing the Shortage Occupation List as most of the benefits of being on the list will have been removed.
- **Allow exceptions to the minimum salary threshold:** for new entrants, part-time workers, and have considerations towards salary.
- **No clear benefits of a new points-based system:** the UK currently awards migrants points under the Tier 2 skilled worker visa, and it is unclear how a proposed system would differ.

## 1. Introduction

techUK welcomes the opportunity to submit evidence to the Migration Advisory Committee on the details of the salary threshold for the future immigration system. techUK has previously published its asks of the post-Brexit immigration system – developing a set of proposals based on the principles that we believe are necessary to support the UK’s thriving tech sector<sup>1</sup>.

Between 2014 and 2017 employment in the digital tech sector increased by 13.2%, with a total of 2.1 million jobs in the sector<sup>2</sup>, yet the UK faces challenges in the domestic labour market with a chronic digital skills gap. techUK members are making significant investments to skill the domestic pipeline of future tech talent and their current workforce, with much being done regarding upskilling, retraining and lifelong learning, but there is an immediate need for skilled labour in the tech sector. Migration, both EU and Rest of World, is key to the tech sector’s continued success.

## 2. Employment of migrants

techUK member companies have recruited from the UK and Ireland, employees from EEA countries outside of the UK, and those non-EEA countries in the past five years and are likely to recruit from these in the next 12 months.

However, despite bringing in additional employees to combat the skills changes they face, SMEs in the tech sector see access to talent as their principal concern, according to techUK’s 2019 Tech SMEs and no deal Brexit report<sup>3</sup>. Tech SMEs are facing significant problems recruiting talent due to a combination of extreme competition for domestic talent, difficulty bearing the costs and administrative burdens of recruiting non-EU talent, experiencing depressed recruitment from the EU due to the uncertainties of Brexit and the

<sup>1</sup> techUK (2018) [An immigration system that supports the UK tech sector](#).

<sup>2</sup> Tech Nation (2018) [Annual Report 2018 – 5. Jobs & Skills](#). Accessed October 2019

<sup>3</sup> techUK (2019) [techUK Report: Tech SMEs and no deal Brexit](#).

perception that the UK is no longer a welcoming country. This is seen as a major impediment on growth, with one participant to this study saying, "I know of companies desperate to grow but they can't because they cannot get the talent they need"<sup>4</sup>.

In 2017, techUK modelled a linear projection using existing trends to provide an estimate of the number of workers the tech sector would need in the median term, including EEA and Non-EU talent. This projection does not seek to model behavioural changes and external factors that will impact job growth, nor does it take into account the increasing digitisation of the economy and the need for digital skills across the economy not solely in the "tech" sector. Our analysis suggests that, were the pace of job growth to continue at its current pace, by 2030 there would be 1.5 million new tech jobs that would need filling<sup>5</sup>. Given that there are currently 1.31 million unemployed people in total in the UK, filling such a demand for skilled roles solely from the UK population would be wholly unrealistic.

The figures also show the UK's dependency on non-EU foreign workers. Such workers make up an even greater proportion of the tech workforce and could, in this analysis, grow by up to 750,000 by 2030<sup>6</sup>. Based on these projections, the tech sector would need to add an average of 92,000 non-UK nationals a year by 2030. This would make up the main bulk of the Government's net migration target of "tens of thousands" (depending on emigration levels) leaving no room for other crucial specialists that the UK needs.

In some of the most cutting-edge technologies, where even at a global level expertise is scarce, there are also instances where the only available talent is to be found outside of the UK. In such circumstances UK tech firms can face strong competition to entice talent to the UK, and simplicity of migration systems can be a deciding factor in those decisions. Securing this talent is vital, as tech businesses often make decisions about where to place investment based on whether the talent can easily be located in that jurisdiction. This has a direct knock on impact on the creation of other jobs. According to work by the Resolution Foundation, between 2009 and 2015, 234,000 jobs in "advanced industries" (which includes tech roles) created a further 147,000 'non-tradable' jobs within the local area surrounding where these advanced industries jobs were created<sup>7</sup>. EU and other migrant workers therefore do not simply fill a gap, they create opportunities for domestic workers.

The Migration Advisory Committee report into EEA migration in the UK found that migrants, particularly those employed in the tech sector who tend to be high-skilled and well remunerated, make a net contribution to the UK economy<sup>8</sup>. We must ensure that we do not discourage talent away from the UK because of the mood music and narrative which techUK has found has just as much of an impact on decision as immigration rules themselves.

Migration has been, and continues to be, a primary driver of growth within the UK's tech sector and is critical in delivering continued innovation and competitiveness. The European contribution to this growth must not be underestimated and a conversation about migration driven by an unrealistic expectation of the skills available domestically will inevitably damage the sector and the wider economy.

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<sup>4</sup> techUK (2019) [techUK Report: Tech SMEs and no deal Brexit](#).

<sup>5</sup> techUK (2017) [The UK Digital Sectors After Brexit](#). Accessed October 2019

<sup>6</sup> techUK (2017) [The UK Digital Sectors After Brexit](#). Accessed October 2019

<sup>7</sup> Resolution Foundation (2017) [A rising tide lifts all boats?](#)

<sup>8</sup> Migration Advisory Committee (2018) [EEA migration in the UK: Final report](#).

“As a UK based data centre operator, we have seen the number of good quality technical engineers decline significantly over the past three years. As demand outstrips supply, smaller operators such as ours are beginning to feel the squeeze. There is no doubt in my mind that the lack of skilled labour in the UK data centre and cloud sectors will hamper growth of companies such as ours, unless change is forthcoming very soon.” (techUK Member, July 2019)

### 3. Experience of Tier 2 (General) visa

With IT roles accounting for 35% of all Tier 2 applications for the year ending June 2019<sup>9</sup>, techUK welcomes most of the existing proposals to improve the Tier 2 (General) visa system in the Immigration White Paper, including: abolition of the Resident Labour Market Test, removal of the cap on numbers of skilled workers, and lowering the skills threshold. There are, however, aspects of the current system that could be improved and added to the Skilled Worker Route proposal.

#### 3.1 Costs

Currently for non-EEA citizens and their prospective employer, applying for a UK visa can be confusing and overwhelming. The current system is fragmented and there are a plethora of different charges and add-ons which they have to pay which can act as a deterrent in hiring talent. In addition to salary costs, total costs including getting a sponsor licence, the visa, Immigration Skills Charge and Immigration Health Surcharge make recruiting overseas workers more challenging. At the moment, PhD level roles are exempt from Immigration Skills Charge – a provision that is important to the STEM sector and should be maintained. techUK members have raised concerns in this area, with a large tech firm with a major presence in London flagging that if EEA hires were included in Tier 2, their visa costs last year would have more than doubled. There is often reluctant acceptance of the skyrocketing prices of visa as they want to hire international talent, but this is contingent on the size of the company. Tech SME leaders in techUK’s membership described recruiting non-EU staff as a “significant investment” and “beyond their capacity”<sup>10</sup>.

Simple visa fees for the UK are already significantly more expensive than for other EU tech hubs. For example, for one techUK member, it costs six times as much to get a UK visa as it does to get a visa for their offices in competing EU city, even before we consider dependents or other associated costs. When these costs are applied to EU hires it will become significantly more expensive to build teams in London than in cities like Berlin, Barcelona or Stockholm. techUK wants to see a simplification of fees and processes for both employers and individuals, with members proposing implementing a ‘manage my visa/application’ function in the system where applicants can see the process made and the fees accumulated, to make this process more manageable and transparent.

#### 3.2 Complexity

The Immigration White Paper, as recommended by the Migration Advisory Committee, has removed the cap on the numbers of skilled workers entering the UK under the Tier 2 (general) route. Removing the cap is enormously welcome and an action techUK has previously called for in our report. However, this process must now be streamlined and simplified so that SMEs who previously avoided using the system because of its bureaucracy and complexity by recruiting from the EEA, are not faced with unsustainable and unnecessary burdens.

<sup>9</sup> GOV.uk (2019) [Why do people come to the UK? To work](#). Accessed October 2019

<sup>10</sup> techUK (2019) [techUK Report: Tech SMEs and no deal Brexit](#).

#### 4. Salary thresholds

The Immigration White Paper maintains an assumption by Government the salary is a proxy for skill level – techUK disagrees with this. The proposed £30,000 salary threshold or 25<sup>th</sup> percentile of the full-time earnings distribution (whichever is highest) must be lowered to bring it into line with the proposed skills threshold and the labour market and take into account other forms of remuneration.

Median annual earnings for all full-time employees in the UK Digital Sector was £36,300 in 2018<sup>11</sup> but there are many jobs which do not earn £30,000 which are vital to UK. Reducing the skills threshold means that the salary threshold should reduce as well. For instance, one techUK member company's supplier shows high levels of reliance on EEA nationals as contractors to roll out their fibre-optic network. Building a fibre network requires skills usually below the salary threshold but where there may be shortages in certain geographic areas if non-UK labour is unavailable. For this job, the Temporary Work Route as outlined in the White Paper may be the easiest to go through, but this company expressed a disinterest in hiring and training someone for 12 months, only for them to have to leave for their 'cooling off' period. For contractor/contingent roles like this, contracts can be longer than 12 months and may need to be extended as the project progresses and timelines change. The proposed Skilled Route makes it possible for employers to recruit medium as well as high-skilled EU workers, but without lowering the salary threshold from £30,000 will mean that, in practice, employers' ability to recruit these workers will be significantly limited. Overall, 60% of jobs held by EEA workers in London would not meet the proposed skills and salary criteria<sup>12</sup>.

Minimum salaries have a big impact on regional tech companies recruiting migrants as they often simply do not use Tier 2 because they do not want to increase salaries to meet it. Also, the ability to remain in the UK is a significant factor and the salary threshold for settlement can, in many cases, require quite significant pay increases in order to meet it. techUK is glad the Government has moved away from committing to the £30,000 threshold as the Government's own evidence says a £30,000 threshold could contribute to between a 0.4% and 0.9% reduction in UK GDP by 2025<sup>13</sup>.

#### Spotlight on Bristol

The growth of local companies could be curtailed by problems recruiting the right people. In 2019, Bristol became the UK's leading tech hub with £320,000 turnover per worker. The region contained 26,999 digital tech jobs, reporting £7.9 billion turnover in 2017<sup>14</sup>. IPPR found that if the proposed salary threshold was applied to EU employees currently living in the Bristol region, around 75% of them would be found ineligible to live and work in the UK<sup>15</sup>, leaving businesses in Bristol and the surrounding area struggling to recruit essential staff for the region's thriving creative and technology firm.

The research shows that losing the easy access pool of EU talent would put Bristol at a disadvantage, despite its high skills base. For IT occupations on the Shortage Occupation List, IPPR found these would have a negligible impact on Bristol's key growth sectors.

<sup>11</sup> Department for Digital, Culture, Media & Sport (2019) [Digital Sector Economic Estimates 2018 \(Provisional\): Earnings](#). Accessed October 2019

<sup>12</sup> GLA Economics (2019) [Potential impacts of immigration policies based on skills and salary thresholds in London](#).

<sup>13</sup> Home Office (2018) [Technical paper to accompany the 'The UK's future skills-based immigration system' economic appraisal: Annex B](#).

<sup>14</sup> Tech Nation (2018) [Annual Report 2018 – Bristol](#). Accessed October 2019

<sup>15</sup> Institute for Public Policy Research (2019). [Go west: Bristol and the post-Brexit immigration system](#).

techUK understands that a minimum salary threshold is designed to protect domestic workers but that it will work better if it does not block access to workers that employers need.

**techUK recommends lowering the minimum salary threshold to be in line with proposed change in skills threshold RQF level 3. Salary is not proxy for skill level.**

#### *4.1 Shortage Occupation List (SOL)*

The White Paper commits to maintaining Shortage Occupation List (SOL) but several benefits of being on this list, including removing the cap on Tier 2 migrants and the Resident Labour Market Test, will already apply under the proposed new Skilled Worker Route. If these reforms are kept in the future immigration system, techUK calls for the SOL be abolished.

The Migration Advisory Committee's 2019 review of the SOL recommended expanding the list to include all roles within the occupation of: engineering, IT business analysts, programmers, software and web design development professionals.<sup>16</sup> This recommendation was positive and welcome by sectors that had been long impacted by digital vacancies. However, the occupation list is based on static data snapshots and does not address the medium to long-term needs of UK tech industry, outdated it. For example, in 2016 techUK published a report into the UK's data skills gap and the occupations that will be essential for UK industry to utilise big data in the short to medium term<sup>17</sup>. Of the eight job roles listed in the report, none made the SOL<sup>18</sup>.

Data science is poorly catered for in the SOC codes, as their descriptions do not recognise the connections between different subjects, and new and future tech areas do not fit neatly into the code's specific requirements. The SOL does not have the necessary detail required to use it and areas in IT are too broad to identify a role that fits. The Tier 2 system's SOL is based on volume of vacancies which fails to take into account the tech sector's need for a handful of specialists, who will likely be facing job offers from across the globe. techUK recognises that it is impossible to capture every upcoming digital job title or occupation, but a SOC that underpins something broader aimed at emerging tech opportunities could be an avenue to creating something more flexible.

The Migration Advisory Committee recommended a review of the SOL once there is a clearer picture of the future immigration system. If, however, the SOL is to remain, an annual review would be essential to ensure it is kept up to date. The disadvantages of having the SOL may be negated with a dedicated research team looking at emerging labour trends.

**If the annual cap on Tier 2 visas is removed in the future immigration system, as outlined in the Immigration White Paper, techUK recommends abolishing the Shortage Occupation List as most of the benefits of being on the list will have been removed.**

#### *4.2 Considerations towards salary*

Salary on its own restrictive, particularly for start-ups who cannot afford to pay high wages. Within start-ups and innovative firms, stock options are prevalent and especially so for new staff. There could be a wider scope of what could be included, such as,

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<sup>16</sup> Migration Advisory Committee (2019) [Full review of the Shortage Occupation List](#).

<sup>17</sup> techUK (2016) [The UK's Big Data Future: Mind the Gap](#). The job roles identified were: chief data officer, data infrastructure engineer, data integration engineer, big data developer, solutions architect, data scientist, data analyst, and visualisation expert.

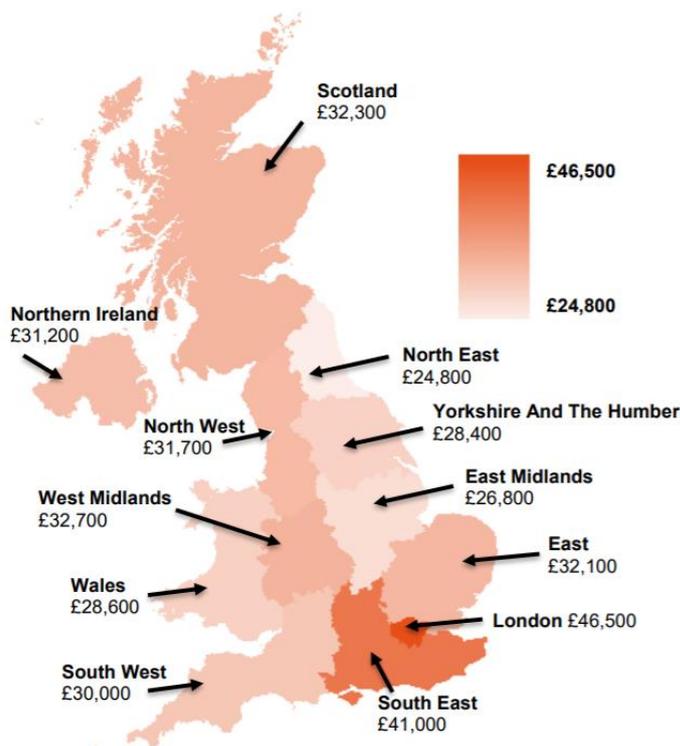
<sup>18</sup> GOV.uk (2019) [Immigration Rules Appendix K: Shortage Occupation List](#). Accessed October 2019

commissions, employee equity ownership schemes, housing allowances, and company car/travel allowances.

## 5. Potential regional variation in salary thresholds

There is a lack of appetite from the Migration Advisory Committee to recommend regional variation in salary thresholds<sup>19</sup>. techUK recommends that a blanket salary threshold in line with skills level RQF level 3 and above would work well for all the regions of the UK.

Median annual earnings for employees working in the Digital Sector, by region in 2018



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[www.nationalarchives.gov.uk/doc/open-government-licence/version/3](http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3)  
 Source: ONS licensed under the Open Government Licence v.3.0.

Figure above: Department for Digital, Culture, Media and Sport (September 2019) [Digital Sector Economic Estimates](#).

The figure above shows that employees working in the Digital Sector in London and the South East do earn more than the rest of the UK. For the tech sector, regional variation in salary thresholds would not work as logistically, for example, if migrant were to enter the UK for a salary in Lincoln but then has to spend 3 days a week in Birmingham on a client visit for the duration of their job, working out their salary based on regional variation would not work for employers who may not be able to foresee such travel arrangements when sponsoring the visa.

## 6. Exceptions to salary threshold

### 6.1 New Entrants

The wider policy debate about a single £30,000 threshold is too simplistic as current Tier 2 salary requirements are a set of multiple thresholds rather than a single amount. techUK is keen to retain the New Entrants exception in the future immigration system, who are subject to a salary threshold of £20,800, or the 10<sup>th</sup> percentile of the occupation whichever

<sup>19</sup> Migration Advisory Committee (2018) [EEA migration in the UK: Final report](#).

is higher. This reflects the fact that people early in their tech careers cannot necessarily be expected to command the same salaries as those with several years of experience. This should generally be set at a level that genuinely helps companies bring new young talent into the industry.

### 6.2 Part-time Workers

Limiting the proposed Skilled Worker Route to only full-time highly skilled roles shuts out talented international part-time workers. It does not directly allow part time work as the salary thresholds are fixed and cannot be prorated according to the number of hours a migrant works. Median annual earnings for all part-time employees in the UK Digital Sector was £11,500 in 2018<sup>20</sup>. Part-time and flexible working is now commonplace in the UK tech sector showing that the Route is not reflective of modern working practices. To future-proof the immigration system for at least 5-10 years, the movement of part-time workers to the UK must be considered.

### 6.3 Occupations on the SOL

Businesses that techUK engages with most commonly think that jobs judged to be in shortage (such as those on the SOL) should have higher salary thresholds compared to those not in shortages in theory – but problems in salary disparity often can arise. If a job is on the SOL, but the salary is £25,000, and UK workers are being paid this salary for this role, often businesses will increase the salary for migrant workers creating a wide discrepancy in pay for the same role. techUK members provided anecdotal evidence saying that their HR staff simply must accept this as they are desperate for the skills the migrant provides. As outlined previously, the costs of hiring from abroad is already high, and this is another additional cost on businesses.

**techUK recommends allowing exceptions to the minimum salary threshold for new entrants, part-time workers, and have considerations towards salary.**

## 7. Salary Threshold and Future Settlement

There are concerns over the difference in minimum salary thresholds for the Tier 2 (General) visa and the Indefinite Leave to Remain, in that a migrant employee would have to increase their salary by nearly £6,000 in five years in order to remain – in other words, a 19.3% increase. This situation is even worse for new entrants, where a lower proposed salary of £20,800 would require a 72% salary increase within five years to qualify for settlement at £35,800. This increase is unattainable considering annual growth in average weekly earnings for employees in Great Britain was 3.8% in 2019<sup>21</sup>. techUK believes that this is something that the Migration Advisory Committee should look into when considering minimum salary threshold as to its long-term effects on those looking to settle.

## 8. The 'Australian-style' points-based system (PBS) addendum

It is not clear what aspects of Australia's immigration policy are being proposed for the UK. What has been confirmed by the Home Secretary is that a UK points-based system would require a job offer from an employer registered with the Home Office<sup>22</sup>. One of the key features of the Australian system is that a job offer is not required, although there are other points-based systems in which most or all migrants must have a definite job. The

<sup>20</sup> Department for Digital, Culture, Media & Sport (2019) [Digital Sector Economic Estimates 2018 \(Provisional\): Earnings](#). Accessed October 2019

<sup>21</sup> Office for National Statistics (2019) [Average weekly earnings in Great Britain: October 2019](#).

<sup>22</sup> Priti Patel for the Mail on Sunday (2019) [I will shake up immigration, says PRITI PATEL: Home Secretary bluntly reveals her determination to secure our borders - deal or no deal](#). Accessed October 2019

Australian system has also been used to increase migration above the level that would be achieved by relying only on employer sponsorship.

techUK does not see the benefits of a new points-based system. The UK currently awards migrants points under the Tier 2 skilled worker visa, and it is unclear how a proposed system would differ. There was a previously a point-based system the Highly Skilled Migrants' Programme (that ran from 2002-2008) and the Tier 1 (General) programme (that ran from 2008 to 2010) which was shut down as the Home Office suspected that it was open to abuse.

There is some alignment between the Immigration White Paper and the aim of an Australian points-based system where skills and salary thresholds are part of the categories in a points-based system, but if the Government is minded to proceed with a new points-based system, the relative importance of each characteristic for points should be considered and prioritised within the system. Points can be awarded for different attributes, such as educational qualifications, language proficiency, work experience and willingness to work in areas or sectors with a shortage of workers.

### *8.1 Age*

In Australia, one of the key categories is age, with all applicants having to be under 50. Younger applicants are automatically awarded 30 points while those approaching the age of 50 get zero, making it much harder for them to be accepted.

techUK and its members does not believe that age should play have such relative importance in comparison to the other categories. Often age brings experience, and this is showcased by earnings in the digital sector raising by age – amongst the 50-59 year group, digital sector employees earned over two-thirds more (71.7%) than the UK average<sup>23</sup>.

### *8.2 English Language requirements*

Another key category is the ability to read and write English to a satisfactory level. Points are awarded to people who are particularly 'proficient' while even more are awarded to those deemed 'superior'. techUK believes this should be determined by the employer and not by an arbitrary test. A business-first immigration system that is centred around what the business needs and its own determinations. For technical roles employers can include in the recruitment process if it is necessary but it should not be a requirement. However, English requirements become more important for the Temporary Worker route.

### *8.3 Work experience and having a job offer*

The UK tech sector faces a big skills gap and techUK would like to see a system that works for everyone. If having a job offer is a mandatory requirement to apply for the Skilled Worker Route, it should not be necessary to allocate points for this category. Work experience is particularly important for the Temporary Worker Route and so should be allocated a number of points that reflects this.

### *8.4 Salary*

Salary is not an indication of skill level, which is why techUK does not see the value in offering more points for higher salary. Skill level should be highlighted by work experience and if those applying to the system must meet the minimum salary threshold, there is no reason why points should be awarded for previous salary. Points awarded on the salary of

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<sup>23</sup> Department for Digital, Culture, Media & Sport (2019) [Digital Sector Economic Estimates 2018 \(Provisional\): Earnings](#). Accessed October 2019

the job offer would mean that those applying for the Temporary Worker Route would be penalised for not having a job offer. Under the same system to have Salary has a category, different thresholds of points would be required for the Skilled Worker Route and the Temporary Worker Route.

### 8.5 Having studied in the UK

This was also a category that techUK members did not think should offer a high number of points as their education level and work experience mattered to them more than whether they have been educated in the UK. This is likely because STEM subjects, which currently are the most apparent way to enter a tech career, do not have a much international variation in teaching methods and course curriculums remain constant. Additionally, international qualifications are equivalent to those in the UK.

The impacts of introducing a new points system in the UK would depend crucially on how the system was designed, whether it would be used for all routes or just temporary or permanent visas, and whether employer sponsorship would still be required. There is also the questions of whether a points-based system would be complementary to the proposed Skilled Worker Route and whether a points-based system, with a job offer, would provide automatic entry (like “settled” and “pre-settled status” in the EU Settlement Scheme) if people met the minimum requirements.

**techUK sees no clear benefits of implementing a new points-based system as the UK currently awards migrants points under the Tier 2 skilled worker visa, and it is unclear how a proposed system would differ.**

#### techUK’s Key Asks of a New Immigration System

- **The need for an effective system:** underpinning any immigration system is the need for trust and public confidence. We believe that this will be delivered by a high-quality system that works and is well understood by individuals and employers alike.
- **A streamlined approach:** the EU Settlement Scheme demonstrates that a simple and streamlined process is possible. Any new post-Brexit system should be designed with the Settlement Scheme process being held up as the gold standard.
- **Redefining skills:** it is clear in all sectors that salary is not a proxy for skill level and any use of ‘skills’ as a determination of entry into the UK must acknowledge skilled jobs that are either not highly paid or require special academic qualifications.
- **Time and support to adapt:** the new system will place enormous burdens on SMEs who have previously never had to engage with the Tier 2 process. Government must give businesses time and support to adapt to a new system.