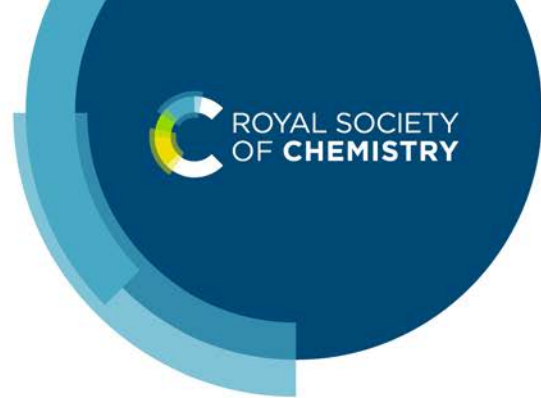


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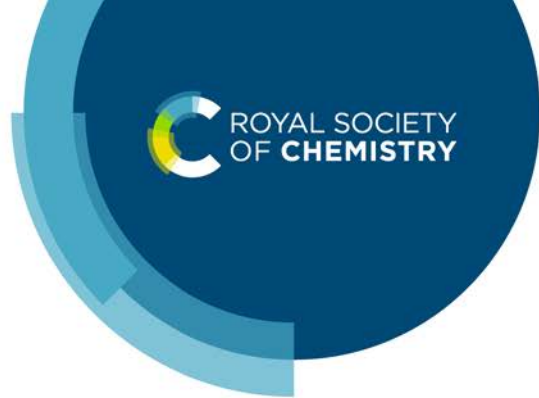
SMEs: Talent availability and the UK Immigration White paper

Key themes from the SME Immigration Roundtable

13 June, 2019

Hosts: Royal Society of Chemistry and Royal Academy of Engineering

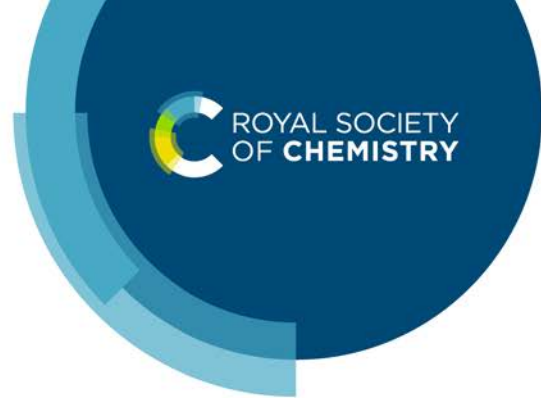
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Background

In December 2018, the UK Government released the long-awaited Immigration White paper, outlining the UK's proposals for a future immigration system after it leaves the EU. The White paper effectively proposed expanding the existing visa system to cover all non-UK workers but there were also other notable reforms potentially affecting UK science and innovation (Irish citizens will not need to apply under the future system, to settle as their current rights to live and work in the UK, which pre-date EU free movement, will be preserved and the Common Travel Area will continue to function as now). For medium and high-skilled workers wishing to come to the UK, the proposals stipulate that employers must meet a minimum salary threshold of £30,000 but they will not be required to perform a Resident Labour Market Test¹ and there would be no cap on the number of visas granted.

In January 2019 Minister for Universities, Science, Research and Innovation commissioned the Government Office for Science (GO Science) to research the impact of the proposed salary threshold of £30,000 on UK science and innovation.

The White paper frequently mentions the importance of small and medium-sized enterprises (SMEs) and commits to 'reform the sponsorship system to minimise burdens on employers, particularly small and medium sized enterprises (SMEs)'.²

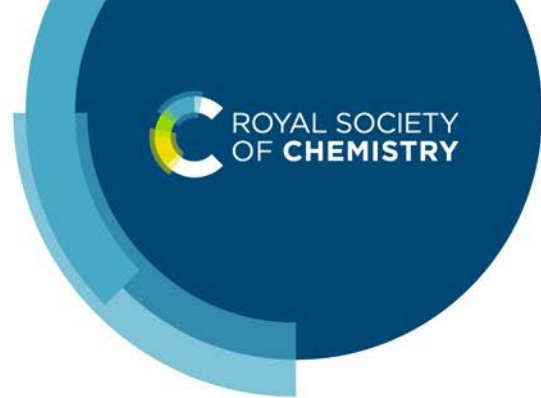
As part of their research, The Royal Society of Chemistry and the Royal Academy of Engineering convened eight SME representatives to meet with GO Science to discuss the availability of skills and talent, the Immigration White paper and the salary threshold. The representatives were from innovative, hi-tech SMEs working to create solutions to some of the society's biggest challenges, including members of the [RSC EnterprisePlus scheme](#) and the [Royal Academy of Engineering's Enterprise Hub](#).

This note provides a summary of the discussion and details some of the experiences of SMEs in accessing talent. The meeting was conducted under Chatham House Rules.

¹ The Resident Labour Market Test shows that an employee has first advertised to the existing EU labour market before accepting applications from non-EEA or Swiss workers. Post-Brexit, this test would have to be applied to all non-UK and Irish workers, but the White paper proposes to discontinue the requirement.

² The UK Immigration White paper, December 2018, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/766465/The-UKs-future-skills-based-immigration-system-print-ready.pdf

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Key findings and recommendations

1. The salary threshold would be highly problematic for innovative SMEs.

Whilst they would like to offer higher salaries to all employees, because of funding constraints it is often not possible for SMEs to offer salaries of £30,000, at least not initially. They felt that a salary threshold should be representative and workable across an entire labour market including SMEs who would struggle to meet a threshold despite often requiring skills only found outside the UK.

If there was to be a salary threshold, it should be agile enough to cater for all parts of the economy, particularly SMEs.

2. The skills and knowledge SMEs require are niche and hard to find.

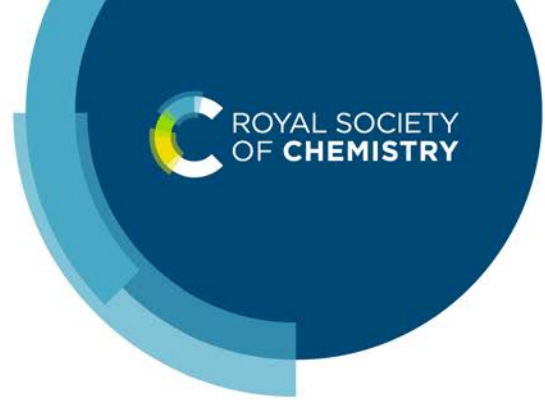
Many SMEs require a unique skill set to fill a gap in their workforce, sometimes requiring them to look internationally. If roles are filled with an overseas worker, complications and barriers in the visa system make it hard to fill these gaps in a timely manner and consequently vital work cannot be done until these workers are in place.

For UK science and innovation and its SMEs to be internationally competitive, the visa system should remove operational barriers that discourage highly skilled workers and help SMEs fill gaps in their workforce where needed.

3. The UK immigration system should be more welcoming.

This is particularly important to SMEs, to whom hiring employees is 'deeply personal' and whose small workforce will often have a 'family' feel to it. This is augmented by SMEs offering in-work benefits so that employees from overseas and their dependents can feel more secure when they relocate. The current system fails to be welcoming because visa applications are often rejected over trivial errors and there is little recourse to contact the Home Office. Also, the Immigration White paper does not promote openness.

The new system should be more open and transparent for applicants and routes made simpler for skilled workers and their dependents to come to the UK.



4. The UK immigration system should be more streamlined and agile.

SMEs in particular find it hard to navigate and deal with the visa system and often have to outsource to legal firms, which only adds to an already expensive system. Both ever-changing bureaucracy and costs are barriers to building a diverse and skilled workforce.

The visa system should not act as a barrier for employers like SMEs to employ the skills they need if they are only located overseas. SMEs are willing to deal with the bureaucracy but as responsible employers, would like to see more trust from the Home Office.

5. SMEs and skilled workers are highly mobile.

Access to top talent globally remains paramount, which ultimately makes them more productive as companies and economic contributors. It is so important that some employers are willing to relocate their business to retain access to the widest possible talent pool. Skilled workers are also highly mobile and therefore have a wider choice of where to work. SMEs try to employ locally as well as from abroad as it benefits their company and workforce.

The visa system should allow employers to attract workers from all over the world and make it easy for workers to come here.

The salary threshold would hamper recruitment in innovative SMEs

1. SMEs felt that a problem with this proposal is that policymakers are equating salary with how much their employer values the employee. SMEs very often cannot afford to offer a comparable salary to bigger employers (at least upon job offer), instead offering non-salary in-work benefits, for example, shares in the company and/or healthcare provision. This is the case for all prospective employees, not just those from overseas, but because these benefits offer security for them and any dependents, they are considered to have greater value by overseas employees compared to domestic ones.
2. Some felt that SMEs are exactly where the concept of equating skill with salary falls through. If SMEs were 'able to pay more, they would' and to all employees, not just those from overseas. This would occur as part of growth: as their companies grow, they would be able to offer better starting salaries. One SME speculated that it is possible that if SMEs could offer higher salaries they might end up employing more British workers, who tend to have higher salary expectations and prefer higher salaries to non-salary benefits, but salary offers are still tightly constrained for SMEs.
3. One SME estimated that if the White paper proposals were in place already, they might not have been able to employ 20% of their technical/high-skilled staff on their starting salaries. Though it was also noted that after around 2 years, those staff could then go on to earn over £30,000 per annum.
4. Some SMEs noted that there is evidence EU candidates are already rejecting job offers in the UK due to EU exit, instead opting to go elsewhere. It was felt that proposals like the salary threshold are likely to make conditions harder for employers, particularly SMEs.
5. SMEs suggested that a single salary threshold would not capture regional variation in costs of living or salaries across industries or sectors, e.g. SMEs compared to larger employers or science compared to agriculture. In addition, this is why salary alone is a poor proxy for skill: SMEs often seek the same level of highly skilled workers as larger employers but are not able to offer the same salaries. A single salary threshold for the whole of the UK and for every sector and industry is not nuanced enough.
6. While the idea of a salary threshold is undesirable and potentially very prohibitive to SMEs, it was suggested that if the salary threshold was more flexible to factor in non-salary benefits like shares, that could go some way to easing the burden on SME employers.

SMEs require niche skills and knowledge, and these are hard to find

7. Whilst employees are normally recruited into SMEs for a specific set of skills, once they are employed, there is an expectation that they will show flexibility in what their role entails as the company grows and the skills needed from employees will grow and change with it. Salary is a factor in attracting the right staff, but companies are also looking for those who have an interest or passion for the work of the company as a whole. Employees will need to show a willingness to be flexible and be enthusiastic about working for them for a reasonable salary, but possibly not the highest the labour market has to offer for those skills.
8. Employers spend a lot of time developing overseas workers with the right skills and then after a certain amount of time, they are no longer able to work in the UK and go back to their country of origin with the skills they have acquired, no longer contributing to the UK. They should be encouraged to stay so that UK economy and society can benefit from the productive workers that have been trained here. There should be simple routes for valuable workers to remain in the UK, either through visa extensions, temporary leave to remain or applying for citizenship.
9. SMEs in science and innovation need niche skills and knowledge and, where they cannot source it from the existing UK labour force, the immigration system should help them attract that talent. The right skills and knowledge are often very hard to find and employers are required to look overseas, so barriers including time limits on visa routes and salary thresholds are unhelpful to SMEs. Examples of skills and knowledge cited around the table as difficult to find included nanomaterials, catalysis and robotics.
10. It is generally accepted that there is a general skills gap in 'hi-tech' industries, but ultimately for SMEs it comes down to funding to pay salaries and often they have to resort to employing part-time or using contractors, neither of which is desirable. They would prefer to keep the skills and knowledge on a permanent basis so they do not lose it after a single project.
11. As an SME, it can be very difficult to recruit UK based talent: a job advert can 'stay open for 6 months unanswered', or with only unsuitable candidates applying. In such instances, they must look overseas for the right skill set, but this also presents issues for SMEs who may not be able to afford visa costs or to become a sponsor, or have the capacity to with the administration that the UK immigration system requires.

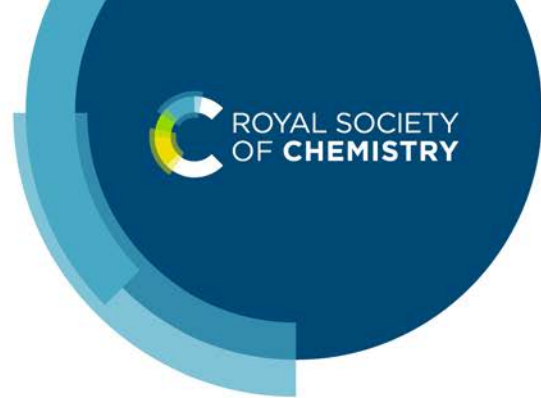
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The UK immigration system must be more welcoming

12. SMEs noted that the unwelcoming nature of the immigration system is a huge problem for a small company with only a few employees. For SME employers it is a 'deeply personal' thing: working in such a small team makes it feel like a 'family' and therefore a welcoming atmosphere from the point of recruitment and therefore the visa system is crucial.
13. Two SMEs noted that they have offices in other EU member states and that it might be an option to send non-UK EU nationals to work there instead, but this would be undesirable and is ultimately a source of embarrassment for employers. The size of SMEs mean that employees are loyal to the company CEO or founder. Consequently, CEOs feel greater responsibility and obligation towards their staff. Changes in the immigration system that affect overseas employees also affect employers. They feel they are 'letting down' their staff and that it hinders a company's progress and growth.
14. One SME noted that the UK was once known for its welcoming atmosphere but that reputation is eroding, which is a major concern for attracting the right talent. It is already affecting recruitment, with good candidates rejecting job offers to go elsewhere. Proposals in the White Paper are likely to make this harder. Further restrictions on the availability of talent to employers could have a negative impact on inward investment, which is a concern for SMEs in particular. Companies are less likely to set up, move to or grow their business in the UK if they cannot access the right workers.
15. Being able to offer in-work benefits in lieu of being able to offer higher salaries add to the welcoming and inclusive atmosphere, the value of which is vital but hard to measure, and to which employees appreciate and respond. Employers do their bit in contributing to this. Dependents will also have a hand in the employment decisions of skilled workers; hence, their ability to move more easily with a skilled worker and the in-work benefits can have a big impact in obtaining the right talent and retaining it.
16. There was concern that the White Paper does not convey the desired image of openness. For example, the Temporary route would be very unattractive to overseas workers, and even if they want to come to the UK for only a year, most SME employers in the UK are looking for long-term workers (the room acknowledged that the temporary route was not really designed for access to skilled workers).
17. Some felt that the current UK system rejects too many people out of hand without very clear explanations or for minor issues with the paperwork during the process. Some SMEs' experience of the visa process in other countries was that they would engage with the applicant if there were a minor

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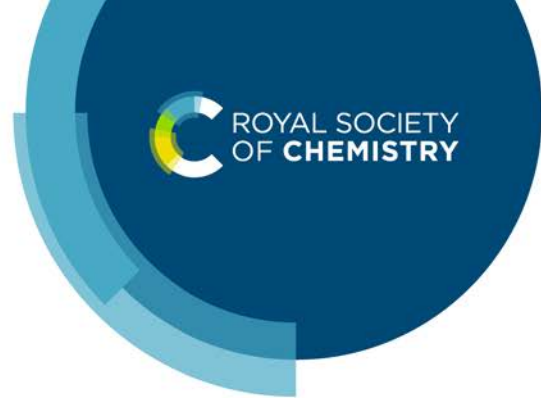


error in the paperwork rather than rejecting outright so that they have to start and pay for a new application. The UK visa process should be more transparent and open to dialogue with applicants.

SMEs would like to see a more streamlined and agile system

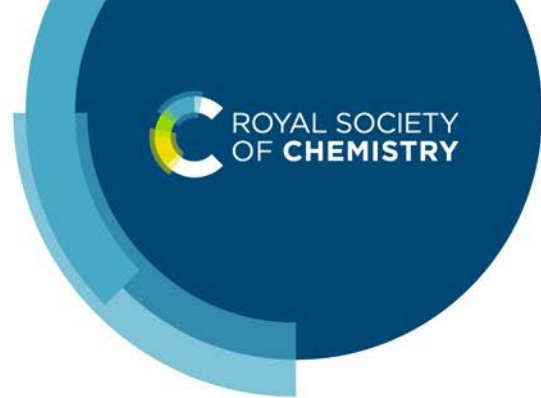
18. Many felt that the visa system is a 'bad experience' for both employers and employees and it has become 'more expensive and more hostile' over time. Many noted that they do not have the in-house capability to deal with visas so outsource to legal firms, but this is expensive and prohibitive.
19. The combination of only being able to offer lower salaries with high visa costs that must be absorbed by the employee and/or employer creates a difficult environment for smaller employers.
20. Often the skills needed in research and innovation performing SMEs are very rare and cannot always be obtained from graduates straight out of university. Consequently, there is little choice but to look overseas whilst being unable to offer higher salaries. Access to rare skills from overseas requires a more agile system, and employers are willing to do the 'compliance' if it is 'relevant and streamlined'.
21. The system then can add several weeks and possibly months to the recruitment process, meaning recruitment strategies need to be planned well in advance, which isn't in keeping with the pace of science and innovation, including innovative and growing SMEs.
22. A lengthy visa process can also negatively affect growth and progress more in an SME than in a large company. Not finding the right talent or losing a recruit has a disproportionately large impact on SMEs because 'everyone is valuable'. It will also have knock on effects in terms of spending more time and money recruiting replacements. If this is further delayed by a complicated and lengthy visa process, then the tasks a recruit is hired to do go undone and thus delays growth and progress.
23. One SME noted that they were currently applying to become a visa sponsor and that the system was hard to navigate, to know which visa routes they can use to employ and, so far, the process has taken over two months.
24. The Shortage Occupation List was not felt to be very useful for employers because it can be very stagnant and is not dynamic enough to keep up with the needs of science and innovation: 'it can be out of date within a year'.
25. The immigration system changes on a regular basis, meaning businesses must apply resources, either internally or by outsourcing, to ensure they keep up-to-date with immigration rules. It can be hard to keep up and absorb changes, therefore creating an uncertain environment in which SMEs recruit.

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26. SMEs felt that employing from abroad, though not exclusively, adds to the diversity of knowledge, skills and experience and these are all positive drivers of a successful, growing and ambitious SME. It also adds to the 'family' culture of smaller offices. For this reason, it is vital that SMEs have the flexibility to access the skills and experience they need.
27. Some SMEs noted that they have partnerships with universities through specific research programmes and research networks, which gives them potential access to students and researchers. This arrangement provides a window to the skills SMEs may be looking for and often represents a more efficient way of recruiting compared to some conventional routes. As SMEs and universities have formed partnerships through these networks, it was suggested that formalising this type of access to skilled workers at macro-level could be beneficial to SME employers.
28. Employers would like to have more trust from the Home Office: faith that the vast majority of employers are trustworthy and will employ based on the skills they need, this will mean less admin for both employers and the Home Office, as well as lower fees. SMEs, in particular, cannot afford to 'carry' workers who are not up to standard, this should be enough to show that they will employ diligently. It was suggested that employers with good records of employment should have some kind of exemption from parts of any visa system.

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SMEs and skilled workers are highly mobile

29. Most SMEs agreed that if they could employ locally, they would and try to where they can; forming partnerships with universities, for example. However, access to top talent globally remains paramount, which ultimately makes them more productive as companies and economic contributors. It was suggested that the temporary worker route would be used by larger companies to train staff in the UK and then send them back to their country of origin with the purpose of employing them in their office in that territory or setting up an office in the single market. This could mean the UK is unintentionally encouraging a 'brain drain' from the UK through this route.
30. Access to skills is vital to SMEs. If the proposals in the White Paper become the new system, that would be enough for some around the table to seriously consider moving all operations to the EU where they would still only be a few hours at most away from the UK.
31. Skilled workers are also highly mobile. Currently, highly skilled workers within the single market can feasibly commute to another member state to work. This means there is less need for workers to relocate or they can commute before deciding to move permanently.
32. Many SMEs expressed concern that future contracts with other organisations are already in place. This means some SMEs will have an obligation to make changes to honour these contracts, even if it means setting up an office in the single market.

About us

With over 50,000 members and a knowledge business that spans the globe, the Royal Society of Chemistry is the UK's professional body for chemical scientists, supporting and representing our members and bringing together chemical scientists from all over the world. Our members include those working in large multinational companies and small to medium enterprises, researchers and students in universities, teachers and regulators.

Contact

The Royal Society of Chemistry would be happy to discuss any of the points raised in our response in more detail. Any questions should be directed to Ciaran Myles, Policy Advisor, mylesc@rsc.org, 01223 432674.