Ukie submission to MAC Call for Evidence on Minimum Salary Thresholds for Tier 2

Executive Summary

- Education reforms to promote home-grown digital and creative skills will take at least a decade to bear fruit, and even longer for graduates to gain needed professional experience.

- Ukie members are concerned that the proposed increase in salary thresholds would be counter to the aims of the government to grow the UK games industry by limiting the ability of companies to recruit games designers and staff capable of leading projects.

- The proposal is not aligned with the objectives of the Video Games Tax Relief to encourage growth and investment.

About Ukie

UK Interactive Entertainment (Ukie) is the trade body that represents over 250 businesses and organisations involved in the games and interactive entertainment industry in the UK.

Ukie exists to make the UK the best place in the world to develop and publish games and interactive entertainment. Ukie's membership includes games publishers, developers, console manufacturers and the academic institutions that support the industry.

Global competition and the skills shortage in the UK games industry

Games are the fastest-growing sector of the global entertainment industry. Total global spending on games will expand to $102.9 billion by 2017, growing at an 8 per cent compound annual rate.[1] This is a truly global industry, with growing competition from all major economies to attract the high-value, high-skill jobs it creates.

As well as the existing, traditional power bases of the USA and Japan (and the UK), in the last ten years there have been concerted and growing efforts by Australia, New Zealand, France, Ireland, countries in Scandinavia and Eastern Europe, South Korea, China, and above all Canada, to create major centres of games development and programming.

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[1] Newzoo, Global Games Market Report 2015

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This competition has been hardest in terms of sourcing staff with the requisite skills. Video games rely above all else on the creative and technical talent of the developers making them. Companies from around the world are now fighting hard to recruit the best of this talent, supported by their governments, which saw the UK industry drop down the international league table in terms of development headcount and revenue generated.

A February 2011 report commissioned into the skills challenge facing the video games and visual effects industries, the Next Gen. report by Ian Livingstone and Alex Hope, set out the scale of this challenge and the decisive action needed to overcome it.

The coalition government recognised this growing international competition, saw the broader economic benefits that could result from a strong games industry, and took steps to address it. The introduction of Video Games Tax Relief complemented by an open business environment, strong (and improving) infrastructure and the access to global markets enjoyed by the UK, is showing encouraging signs of once again making the UK an attractive location in which to develop games.

The skills supply is a significant challenge facing the UK games industry in its desire to lead the world again. The previous government also accepted the recommendations of the Next Gen report in this regard. Crucially, it agreed to wholly revamp the way in which computer science and information technology are taught in British schools, particularly at GCSE level. This curriculum change came into force in September 2014.

This work is underway, but it will be a long time until the games industry, or the wider economy, begin seeing the true benefits. The first cohort began the new GCSE computing curriculum in September 2014. It will be seven years – 2021 at the very earliest – before any of them enter the workforce in significant numbers. Add to this three more years of in-work training before they are taking up the team-leading roles that companies most often seek to fill with workers on tier 2 visas, and it will be a decade before we see the true impact from these reforms.

Increasing demand for talent
Less than a year into its implementation, we are already seeing a significant and accelerating take-up of Video Games Tax Relief. In just its first year of operation, with a delayed start due to the European Commission process, 67 games have already been certified, with a total projected development budget between them of £182.6 million. We are increasingly confident that the hoped-for boom in home-grown development and inward investment will come to fruition. The UK is once again becoming one of the most attractive places in the world to make games.

With success comes more pressure on the supply of talent. Games companies already find it difficult to source the technical and artistic skills they need, particularly at the higher skilled team-leader level that allows other jobs to be created.

It is very often the ability to hire experienced, highly skilled staff who can manage projects and teams that will determine whether a game can go ahead, and whether a studio can expand accordingly. Making it more difficult to find such people from outside the EEA and Switzerland does not mean that UK citizens will be hired instead. More often it means that the project simply will not happen in the UK, and the additional UK citizens that would have found jobs in the project will not be hired as well.

Both the new government and its predecessor have made a commitment to renew the UK's competitiveness in the global games industry and to significantly increase the development and publishing capabilities of the UK. This will inevitably increase pressure on the skills supply, and conversely, serious moves to restrict that supply will damage the government's stated goal of growing our industry.

Impact of threshold increase

Moving from the 25th to the 50th, or even 75th, percentile of the wage distribution for each occupation would be a significant increase for some games industry roles that would have a direct impact on hires.

This will apply across all skilled roles in the games industry, including management functions. However, in light of the short time frame of this call for evidence we have focused here on those roles for our industry which are on the Shortage Occupation List (SOL). In the table below we have set out the 17 games/VFX roles on the SOL, grouped by SOC code, and given the relevant wage distribution percentiles where available. These have been taken from the 2014 Annual Survey of Hours and Earnings, as provided by the MAC.

When hiring an experienced Games Designer, companies previously had to meet a wage threshold of £29,600. Under the proposed increase, this could become £38,500, or even £47,300.

When hiring a Systems Engineer, rather than paying at least £31,200, companies would have to pay £40,400, or even £52,900.

For hiring a Producer, the previous threshold of £25,600 would become £33,300, or even £43,300.

Members expressed concern that the proposals could particularly impact on intermediate professionals with 3-4 years' experience – hires which are particularly competitive.

As has been recognised by their inclusion on the SOL, these are all highly skilled jobs that the UK is facing a shortage in. The sort of thresholds being proposed would have a serious detrimental effect on the ability of games companies to bring in experienced talent that allows them to further expand their teams and hire more UK citizens.

A large games publisher, which owns several development studios as well as a publishing function in the UK, set out for us how they have made use of tier 2 visas. Across the 600 members of staff they employ in the UK, approximately 6 per cent are on Tier 2 visas. Within their largest development studio, this rises to 10 per cent of employees. Over the last three years, they have hired 33 people on tier 2 visas; 17 of these new hires (just over half) would not have met a 50th percentile salary threshold. Were the thresholds to be increased, they likely would not be kept on as an employee at the point their visa is up for renewal.

It is simply not the case that UK workers would have been hired instead. To quote the company directly:

> *We actively recruit to the UK market every day and would love to hire someone with the appropriate skillset that lives around the corner but very simply – they often don't exist so we have to look further afield. We hire people outside of the EU out of necessity rather than desire; there is a high quality threshold and a skills shortage, which means that we have to look at every avenue even when it means knock on effects of the additional visa waiting times, administration and cost.*

Wage distribution in games industry occupations

			Percentiles			
SOC code	SOC name	SOL list examples	10	25	50	75
2135	IT Business analysts, architects and systems designers	Systems engineer	22500	31200	40400	52900
2136	Programmers and software development professionals	Software developer	22800	29600	38500	47300
		Shader Writer				
		Games Designer				
3411	Artist	Animator	16700	18900	25900	x
3416	Arts officers, producers and directors	2D supervisor	20800	25600	33300	43300
		3D supervisor				
		computer graphics supervisor				
		producer				
		production manager				
		technical director				
3421	Graphic Designers	compositing artist	15500	20400	24300	28600
		matte painter				
		modeller				
		Rigger				
		stereo artist				
		texture artist				

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Impact on the games industry and hiring practices

In the already highly competitive market for talented creative and digital staff, raising the thresholds as proposed would have a negative impact.

Hiring a migrant on a tier 2 visa is already a complicated process which takes a lot of time, cost and energy. Games companies only do so when absolutely required in order to undertake a project or to expand their business in response to demand. It is not the case that raising the thresholds as proposed would simply see companies hire UK residents instead – they already do so where possible as it is a much more straightforward process.

Making it more expensive to bring in new workers from outside the EEA and Switzerland will simply make it harder for studios and teams to expand, reducing the new employment opportunities being created for UK residents.

For the many smaller, domestically-owned studios that operate in the UK, this will simply make it harder to expand, become more ambitious, and to continue making games that compete globally. This will directly blunt the intention of the Video Games Tax Relief to help such companies compete on a global stage and spread UK culture.

The ability to bring in a small cohort of workers from outside the EEA and Switzerland gives large companies confidence that they can swiftly build a new team to take on a project. Rather than hiring, for example, ten to twenty new workers from outside the EEA and Switzerland as part of establishing a new 200-person studio, companies will simply look to another country to do so.

Ultimately this could make the UK a less attractive destination for large multinational companies considering where to place their next large studio or which existing studio to expand for their next large game.

At a time when the UK is again getting serious attention from all parts of the global industry, this would be a step backwards.