



Ukie submission to MAC Call for Evidence on Review of 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 restricting their access to global talent in the meantime will significantly impede the ability of the games industry to grow and to remain globally competitive
- The proposal is not aligned with the objectives of the Video Games Tax Relief to encourage growth and investment.

About Ukie

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. This is a truly global industry, in which the UK faces growing competition from all major economies to attract the high-value, high-skill jobs it creates.

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.



Introduction

Creative talent is the bedrock of the UK's games industry. Without the input of talented, creative individuals, there would be no games: such individuals are the core asset of all games companies. This is reflected in industry statistics: according to the ONS, employment costs accounted for over 75% of the UK games development sector's GVA in 2013.¹

This workforce on which the industry relies is also highly skilled. According to Creative Skillset, 29% of games sector workers possess a post-graduate qualification, compared to an estimated 11% across the entire UK workforce.^{2,3}

It is absolutely fundamental to the survival, and certainly the future growth, of our industry that a stable pipeline of new talent exists on which companies can draw. A great deal of work has been done in the last four years on improving the domestic supply of skilled individuals for our industry, in recognition of the wider economic benefits.

A February 2011 report on 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 the challenge and the decisive action needed to overcome it. As a result, the coalition government 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.

It is a clear aim of the current government to make the UK a world leader in the tech and creative sectors. One stated goal is to increase by 50% the UK's share of global foreign direct investment (FDI) flows in the creative industries, including games. This will not be possible if multinational games companies looking to invest into the UK do not have confidence that they can quickly create new studio capacity by bringing in the best global talent. Further limiting our access to this global talent pool, for which we are already in competition with many other countries, can only be damaging for our industries and have a countering effect to other government policies.

¹ ONS (2014), "Annual Business Survey – 2013 Provisional Results: Standard Extracts", 13 November 2014. Data for SIC 62.01/1 Ready-made interactive leisure and entertainment software development has been used as a proxy for the whole game development sector.

² Creative Skillset (2015), Workforce Survey 2014, p. 7.

³ Peter Walker (2013), "Rising number of postgraduates 'could become barrier to social mobility'", *The Guardian*, 7 February 2013.



Our response to this consultation is an attempt to help find the least damaging way that the desired policy could be achieved. However, we believe that in the area of skilled migration the government's focus should be on how to increase talent supply for these vital industries and keep the UK globally competitive.

1. Focusing on particular skills shortages

Consultations with industry leaders for an upcoming Ukie policy report revealed the following:

“Whilst there are some challenges with the quality of new graduates, firms also report limited access to more experienced talent. Shortages of intermediate and senior level talent are felt across the sector (from AAA console developers to small indie studios) – but the dearth of such talent is most keenly felt outside of the major production centres (e.g., London, Dundee). We should note that this challenge is a global one, meaning that UK firms are not only competing with one another for this talent, but they must also attract talent from other EU countries and from farther afield.”

As evidenced in our submission to the MAC's 2012 consultation on the Shortage Occupation List (SOL)⁴, the games industry relies on very highly-skilled workers for many roles. Games development in particular would be impossible without access to these workers, who make up a limited global pool of talent for which we must compete with other countries.

It was accepted in 2012 that the existing games development/VFX roles on the SOL are sufficiently skilled and in shortage to require that special status. As we continue to wait for the effects of recent education reforms, as detailed above, we believe those roles' place on the SOL remains justified and necessary. As such, we are confident that any further focusing of tier 2 on the most highly skilled roles would include those already recognised by the system as important to our industry.

However, abolishing the Resident Labour Market Test (RLMT) and limiting tier 2 to an expanded SOL, as suggested in the call for evidence, or taking similar steps to reduce access to non-specified jobs, runs a very high risk of limiting access for our industry to needed candidates for other equally important roles. Our consultations with games companies suggest that, in many cases, they bring in as many workers through the RLMT as they do through the SOL, if not more. These are roles not only in aspects of development not covered by the SOL, but also other functions of games companies, including publishing, HR, senior management, and other roles not focused directly on the creation of games, which are just as important to the effective functioning of our industry.

⁴ 2012 submission attached with this document



Limiting tier 2 visas to pre-approved occupations would also fail to reflect the continued rapid change in our industry and many other digital industries, and the creation of new occupations that this constantly involves. We have spoken to large games studios in the UK, ranked among the most respected and advanced development studios in the world, who have set out for us how roles involved in the creation of their latest game did not exist at the beginning of that project just three years previously.

One large games company, explaining how the specific listings on the SOL could never meet their rapidly-changing needs, said the following:

For example, 3411 Artists refers only to animators, and 2136 refers to programmers and game designers but appears to be limited to 2D/3D animation. We have difficulty in finding Technical Artists and Lighting Artists with skills such as MAYA Brush, Mudbox and PBR (Physically Based Rendering) but who have developed a particular type of game e.g racing games. On the IT side, we have looked for individuals with experience in Hadoop. Even if the list was expanded to include these specialisms, we would still be concerned to lose the RLMT as we simply cannot predict the sort of skills we might need in future. In the past, we have needed certain very specialist skills that are not realistically ever likely to be on a SOL.

These are highly advanced technical and creative roles in which the UK is leading the world, and for which we must retain the ability to bring in the best skills from around the world.

The skilled migration system must retain the flexibility to allow our industry to keep in touch with the most advanced digital and creative skills as they evolve around the world. We are concerned that the proposals to limit the functioning of tier 2 will fail to meet this requirement.

Salary Threshold

As set out in our earlier submission to the call for evidence on salary thresholds (attached with this document), we have strong concerns about proposals to raise the salary thresholds for tier 2 visas. As we set out in that initial submission:

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.

Hiring a migrant from outside of the EEA and Switzerland already takes longer and costs more than hiring an equivalent worker from the European talent pool. It is done out of necessity, and is an inevitable outcome of the global spread of the highly-skilled talent that our industry requires.

2. Time Limits

The MAC looked at whether to impose time limits on the SOL in its 2012 review. It was decided at the time, rightly in our opinion, that this was not the right approach to take.

We continue to believe that occupations should stay on the shortage list for as long as the evidence proves them to be in shortage. Placing an arbitrary limit would risk doing unnecessary economic damage for no benefit. The MAC have spoken during this consultation process of wanting to consider the marginal benefit of each type of migrant. This proposal seems directly counter to that principle, refusing access to a highly-skilled migrant who the evidence shows is urgently needed, in favour of a migrant from anywhere else in tier 2, simply because of a long-running problem in the UK's talent pipeline.

As discussed in the introduction, the action taken to fix the UK's broken pipeline for computing skills will not bear fruit for up to a decade. We believe that placing arbitrary time limits shorter than that would cause needless damage to our industry and the wider economy. This proposal should be rejected once again.

3. Skills Levy

The games industry recognises the need to invest in the talent pipeline – our funding of the Next Gen report and the campaign that followed from it, and more recently our piloting of the innovative Digital Schoolhouse project to embed the gains of the computing curriculum reform, show our continued commitment to this agenda. This has of course been supported by government intervention, including through the Skills Investment Fund and the creation of the Next Gen Skills Academy.



Formalising this industry investment may be an effective route, however the system would have to be designed well. We would make three suggestions in particular:

- Any system that included a levy should recognise investment already being made by the industry, and count it as payment in kind. Ukie-coordinated investment in the Digital Schoolhouse project could be an example.
- The proceeds of any such levy and accompanying payments should not be spent solely on apprenticeships. It should support work on all parts of the talent pipeline, and be focused where that particular sector has already identified problems that require investment, including school-age, post-school, graduate and beyond, and in-work training.
- Any such system should take account of and work alongside investment being required of companies through other similar levies – in particular the Apprenticeship Levy currently being consulted on separately by BIS.

4. Dependants

Anecdotal evidence we have gathered on this issue suggests that removing the right to work from dependants risks making the UK significantly less attractive to the highest level talent. As stated above, the UK industry is competing with companies from USA, Canada, the Nordics, Australia, South Korea and many other countries for world-leading talent. Making such a large change to the offer made to such migrants could significantly reduce our competitiveness.

5. Intra Company Transfers

Intra Company Transfers (ICTs) are another aspect of tier 2 where flexibility is important. The ability to bring in senior managers or team leaders is absolutely vital for large multinational companies looking to invest into the UK. We have a very strong track record of attracting such global leaders in the games industry, with many locating their European headquarters here.

Therefore any changes to ICTs must be carefully considered, as restricting them could again significantly damage our competitiveness in the global games industry.

We recognise that the MAC has been investigating cases where some companies have brought in large numbers of IT workers and provided them to do work in other companies, entirely within the bounds of the current rules. Although we understand the intent to tackle this issue, we must underline the importance of ICTs for our industry, and many others where the UK is looking to attract and retain global investment.