

SKILLED MIGRATION AND THE UK'S CREATIVE INDUSTRIES

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EXECUTIVE SUMMARY

The creative industries are an important driver of UK economic growth and should feature prominently in the government's industrial strategy. But their continued growth requires creative talent. The UK cannot meet the whole of the creative industries' talent needs, so firms must recruit from overseas. The UK's decision to leave the EU will make it all the more important that it can recruit skilled talent from outside Europe.

From our experimental analysis of the Annual Population Survey we see sub-sectors like 'IT, software and computer services' are particularly reliant on non-European migrants, at 8.4 per cent of the workforce. This compares with 4.2 per cent of the workforce as a whole.

In other creative sub-sectors like 'Publishing' and 'Music, performing and visual arts', non-European migrants currently account for only 3.9 and 3.1 per cent of the workforce respectively.

The UK's migration policy system, though not specifically tailored for creative migrants, currently offers a number of routes for workers from outside of Europe.

These routes are complex, however. With greater uncertainties about EU migrant workers in the creative industries, the UK needs to review how it can make it easier for UK creative businesses to meet their skilled migrant talent needs from outside Europe.

CONTEXT

The creative industries are an important driver of economic growth in the UK. They are made up of a diverse set of sub-sectors, from advertising to IT, and performing arts to architecture. But one factor in common across these sub-sectors is the need for creative talent.

The creative industries are undoubtedly a driver of UK growth - in 2014 their Gross Value Added (GVA) was £81.4 billion, making up 5.2 per cent of the UK economy.¹ In 2015, they accounted for 1.9 million jobs. Creative industries GVA grew by 8.9 per cent between 2013 and 2014 - almost twice as fast as the economy as a whole, while creative industries jobs grew by 5.5 per cent (compared with 2.1 per cent in the UK workforce).²

But, not all UK creative jobs can be filled by UK talent - for some creative occupations there are not enough UK workers with the skills required to fill the jobs available. We therefore have, at least for now to look outside of the UK and Europe to meet some of the demand for creative talent.

But many argue that the UK's migration system for recruiting global talent, needed to fill both short- and longer-term skills gaps, is not working efficiently, and is not being helped by a testing political climate. Visa routes are being tightened and targets for reducing migration are prevalent in political discourse, despite the economic rationale for more open borders. The migration system as a whole is not set up to cater for specific industry sectors, and as such, high skill, high growths sectors like the creative industries will suffer disproportionately from changes to policy, and from migration rules as they currently stand.

There is limited research on the impact of migration policy aimed at non-European Economic Area (non-EEA) migrants on skills for the creative economy. We focus on non-EEA migrants because European migrants are not currently covered by the UK's migration system. One of the reasons that visa routes have been tightened in recent years is arguably that the only policy lever the government has, in a system where the UK is bound to accept EU migrants, is non-EEA migration rules. Europe is undoubtedly home to much creative talent, but to ensure that the UK maintains its strong performance and global competitiveness into the future, employers will require talent from across the world, and should not be limited to Europe alone.

The future of the UK's relationship with Europe is, of course, in a state of uncertainty. Over coming months, and years, the UK will renegotiate its relationship with Europe which promises a number of challenges and opportunities for both migrants and migration policymakers.

OUTLINE OF THE UK'S MIGRATION POLICY SYSTEM

The Points Based System³ (PBS) for migrants to the UK from outside the European Economic Area (EEA) was introduced in 2008 and currently consists of five tiers.

These are:

TIER 1	High value	Tier 1 covers entrepreneurs, investors and exceptional talent. For these routes sponsorship from a UK-based employer is not required. Graduate Entrepreneurs are also included in Tier 1, for this route sponsorship is needed from a UK-based educational institution.
TIER 2	Skilled Workers	Tier 2 covers skilled workers with a job offer from a Tier 2 licensed, UK-based employer. This employer is known as the sponsor.
TIER 3	Low skilled (closed)	Tier 3 is designated for low-skilled migrants to fill specific, temporary skills gaps. However, it has never been opened and it is currently suspended by the government.
TIER 4	Study	All student visas fall under Tier 4. To qualify, applicants must have been offered a position at an educational institution which is licensed to sponsor migrants.
TIER 5	Youth mobility and temporary work	Tier 5 is for migrants who have a job offer for temporary or short-term work from a UK-based company.

Numbers of non- EEA migrants entering the UK have fluctuated over the last five years. This is partially due to the tightening and relaxing of migration rules, but it also reflects broader global economic, and political trends. Table 1 shows how numbers have changed across these tiers, and which types of migration they facilitate. The headline from this table is that both 'high value' and student numbers have dropped notably. Whilst the numbers of skilled and temporary migrants have increased steadily over the past five years, they remain small in relative terms.

To put these numbers in some perspective, in 2014, 51 per cent of the UK workforce as a whole was comprised of workers at NQF Level 3 or above. This is the lowest skill level required for Shortage Occupations in the Tier 2 (Skilled) category of the UK's skilled workforce. The very highest estimates therefore suggest that non-European migrants with a Tier 2 visa made up just 0.6 per cent of the skilled workforce in 2014.⁴

Table 1 Visas Granted in the UK by Tier of the Points Based System⁵ since 2010

Year	Tier 1 (High Value)	Tier 2 (Skilled)	Tier 4 (Study)	Tier 5 (Youth mobility and temporary workers)
2010	32946	68193	288000	37818
2011	22819 ↓	66432 ↓	261870 ↓	38232 ↑
2012	18010 ↓	68108 ↑	209804 ↓	40296 ↑
2013	11604 ↓	79982 ↑	218625 ↑	41045 ↑
2014	9866 ↓	90725 ↑	220116 ↑	44011 ↑

UNDERSTANDING LEVELS OF MIGRATION IN UK CREATIVE INDUSTRIES

Sector specific data for both European and non-EEA migrants working in the UK is at best patchy, and at worst non-existent. To build on existing information we have about levels of non-EEA migrants in the UK workforce, we use data from the Office for National Statistics (ONS) Annual Population Survey.⁶

It is essential to measure levels of immigration to the UK's Creative industries in order to 1) understand the national skills landscape and implications for education in the UK, and 2) the impact of change to migration rules, that may have unforeseen and disproportionate effects on particular sectors of the economy.

The Annual Population Survey – which is the basis for the government's official statistics on creative industries employment – tells us about the composition of the creative workforce, including the proportion of workers in creative industries that are UK nationals, European migrants and non-EEA migrants. It suggests that levels of migration vary across creative sub-sectors. This, in turn, enables a more targeted understanding of the potential impact of changes to the UK's migration system.

Across the creative industries as a whole, 88.5 per cent of jobs are occupied by UK workers, with 6.1 per cent and 5 per cent filled by European and non-EEA migrants respectively. This is broadly similar to non-creative industries and where 90.3 per cent are from the UK, 5.6 per cent from Europe and 4.2 per cent from outside of Europe – suggesting that non-EEA workers are on average disproportionately important in the creative industries.⁷

However, going below the aggregate numbers, in some creative sub-sectors the number of non-European migrants outnumbers those from Europe, in *IT, software and computer services*, for instance, 86 per cent of workers are UK nationals, 5.5 per cent are from Europe and 8.4 per cent are from outside of Europe. Similarly, though less pronounced, for *Museums, Galleries and Libraries*, 4 per cent of the workforce is from Europe, while 5.8 per cent are non-EEA migrants.

In other creative sub-sectors, like *Publishing and Architecture*, we see that non-EEA migrants make up a disproportionately low number of workers compared to their European and UK colleagues.⁸ For *Music, performing and visual arts* 3.1 per cent of the workforce is from outside of the EEA, 3.9 per cent is from Europe and 93 per cent is from the UK. For *Film, TV, Video, Radio and Photography* 91.2 per cent of the workforce is from the UK, while 5.1 and 3.6 per cent are from Europe and non-EEA countries, respectively. This is consistent with the possibility that there is a demand for UK creative workers in these particular areas due to their understanding of UK culture, or that the UK is doing a better job than its international competitors in training the talent needed to fill jobs in these sub-sectors.

Given the result of the recent EU referendum, the picture for European talent in UK creative industries is now unclear. The future status of European workers (both prospective and those in the UK) is necessarily uncertain, despite positive reassurances from the government. As with non-EEA migration, a change in the status of European migrants the UK would have a significant impacts on the creative industries. A change would disproportionately affect creative service activities like Advertising, Publishing and Design which all employ around 10 per cent of their workforce from Europe. This compares with 5.6 per cent for the rest of the economy.

These statistics provide some context to understanding levels of migration in the creative industries. The next section builds on this. To get to grips with UK migration policy a set of scenarios for creative professionals is presented.

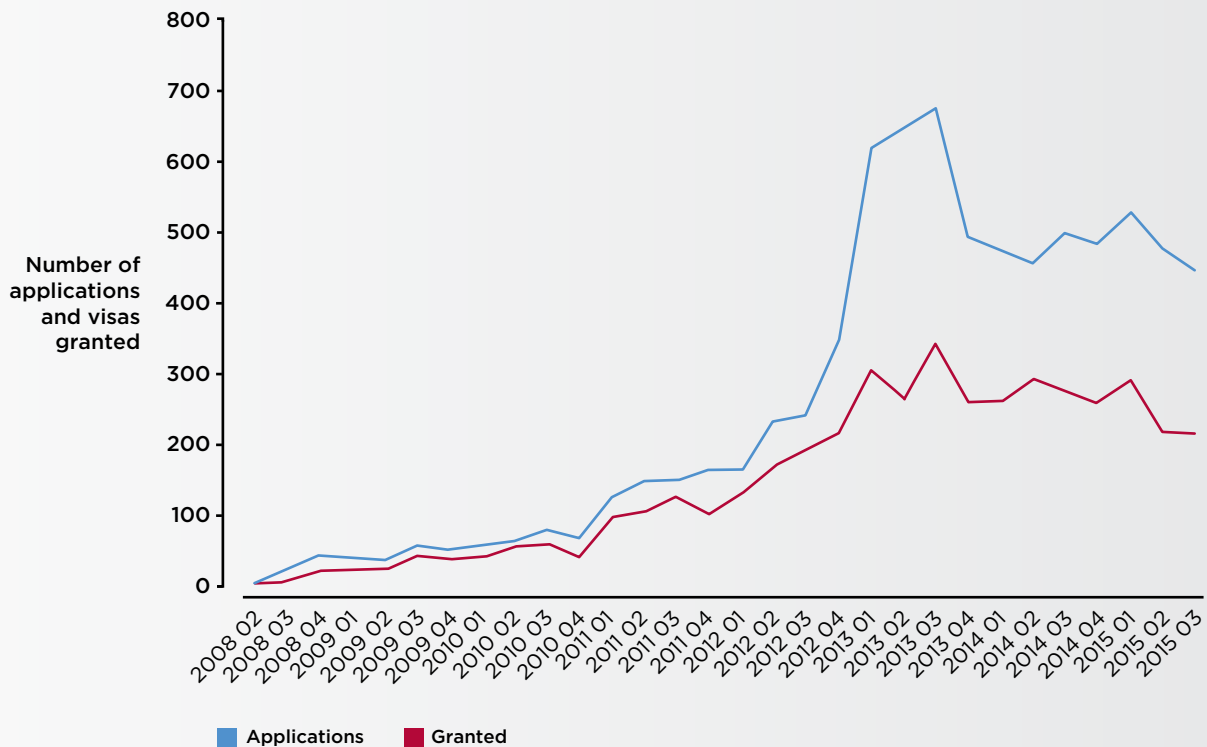
Marcia - A Brazilian Software Entrepreneur

The Tier 1 (Entrepreneur) visa⁹ is one of a few options for Marcia as a Brazilian creative entrepreneur looking to set up in the UK. She could also use the Tier 1 (Graduate Entrepreneur) route¹⁰ if she is a recent UK graduate, or a couple of routes outside the Points Based System (PBS). Many creative companies are small, or micro businesses - headed by individual entrepreneurs or entrepreneurial teams. Migrant entrepreneurs have been shown to be highly innovative assets to a country's economy,¹¹ and as such, in 2010 the government set up a tailor made route for people who want to set up or take over, and be actively involved in running, a business or a number of businesses in the UK.

The bar is high for Marcia, the route demands high levels of capital - £200,000 or a reduction to £50,000 if the funding is provided by a venture capitalist, a Government Department or a seed funding competition endorsed by UKTI. This measure is intended to narrow down the number of applicants to those that have money to immediately invest in the UK economy and talent.

According to Home Office data,¹² in the year ending June 2014 there were 1,156 Tier 1 (Entrepreneur) visas granted and a further 1,969 dependants. There were 4,478 in country extensions of this type of visa and a further 2,515 dependant extensions. There has been a great deal of fluctuation in applications to the Tier 1 (Entrepreneur) visa: in 2012, there was a 1,520 per cent increase in applications which the Home Office claimed was a result of the closure of the Tier 1 (Post Study Work) route, which previously enabled graduates from UK universities to work for 2 years. Visa data shows that in the year ending June 2014, 49 per cent of applications were rejected.

Figure 1 Tier 1 (including pre-PBS equivalent) applications and visas granted



Changes to the Entrepreneur visa were put in place in 2013 to make sure that money used for applying to the route, either £50,000 or £200,000, is invested in the UK. Marcia should be prepared to keep this money in her bank account, and spend it on the business rather than outside the UK - or it may hamper her chances of extending the visa when it expires. Alongside these changes, additional measures to validate business concept and ideas at application stage were introduced, known as the Genuine Entrepreneur test (GET). To pass the GET, Marcia will need to provide a detailed business plan, and accounts, if the business has been running overseas.

However, to overcome some of the tough financial conditions of the Tier 1 (Entrepreneur) route Marcia could use the Representative of an Overseas Company route which falls outside the Points Based part of the migration system. It requires more paperwork and due diligence to be done, and the business has to have been established for ten years or more overseas, but the financial requirements are much less demanding.

As policy currently stands, government has more of a focus on creation of UK jobs rather than fostering innovation and entrepreneurship. But good news may be on the horizon for Creative Entrepreneurs like Marcia. The Migration Advisory Committee recommended earlier this year that a Startup visa should be created, structured like an accelerator programme and providing funding (around £20,000-£30,000) to help entrepreneurs get their businesses off the ground in the UK. The key for Marcia is effective support to help with integration into the UK economy, and also UK culture. She waits for the government's response with bated breath.

Zakir - A world renowned Indian musician

Musicians like Zakir, are few and far between, and highly in demand. The valuable artistic and economic contributions of world leading creative talent has not gone unacknowledged in UK migration policy, and the Exceptional Talent category aims to provide a route to enable only the best to enter the UK on a fairly flexible basis. Introduced in 2011, the Exceptional Talent visa sits in Tier 1 of the points based system. It is designed to attract '...exceptionally talented individuals in the fields of science, humanities, engineering and the arts, who wish to work in the UK.' To get a Tier 1 (Exceptional Talent) visa, Zakir would need to be endorsed as a leader or emerging leader in the arts and he must initially have endorsement from Arts Council England, the Designated Competent Body (DCB) for the arts.¹³

Happily for Zakir, the UK is actively seeking individuals who are internationally recognised at the highest level as world leaders in their particular field. However, he will need to provide evidence that he is a world leader by including examples of media recognition, international awards for excellence like a Grammy Award and proof of internationally significant appearances, performances or exhibitions.

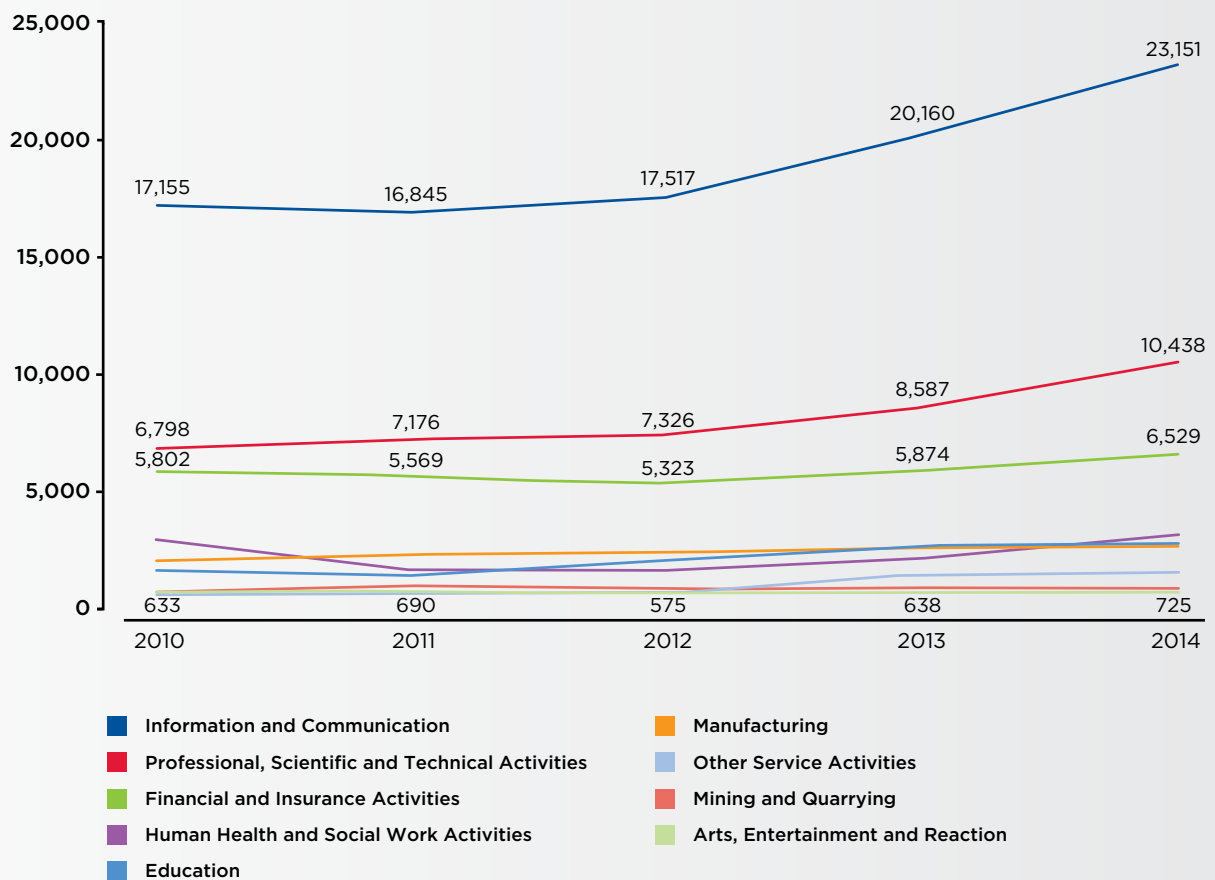
This high bar may explain why such low application numbers have been seen since creation of the visa. To the year ending June 2014, there were 79 Exceptional Talent visas of a possible 1,000, issued together with 19 dependant visas. But another reason may be that exceptional talent of an international calibre has the world to choose from, and the UK is not alone in wishing to facilitate the migration of world leading musicians and artists. Many other immigration regimes across the world, including the US and Australia have similar systems. So whilst the UK may be attractive to many, it's likely that Zakir will be looking elsewhere too.

Valentin - A skilled classical dancer from Russia

For Valentin, the Tier 2 (General) category would seem to be the best choice. This occupation features on the Government's Shortage Occupations List (SOL) a list of jobs that are demanded by UK employers and cannot be provided by UK workers. There are a number of requirements for Valentin to apply under the Shortage Occupations route, and these rules differ for classical and contemporary dancers. As a skilled classical ballet dancer, Valentin will need to meet the standard required by internationally recognised UK ballet companies, like the Birmingham Royal Ballet, or Scottish Ballet. Much of the onus of this route is placed on the quality of the prospective employer, the company must also have performed at or been invited to perform at venues of the calibre of the Royal Opera House, Sadler's Wells or Barbican, either in the UK or overseas, or be internationally recognised by a UK sector body, like Arts Council of Wales, or the Scottish Arts Council.

Over the last four years, compared to other sectors, *Arts, Entertainment and Recreation* receives low numbers of applications. Information and Communication receives the highest number of applications year on year, and has seen steady growth in numbers applying over the last two years. This may be a feature of a higher number of Digital tech and Information tech jobs on the SOL, or may simply reflect the growth of the tech sector in the UK.¹⁴

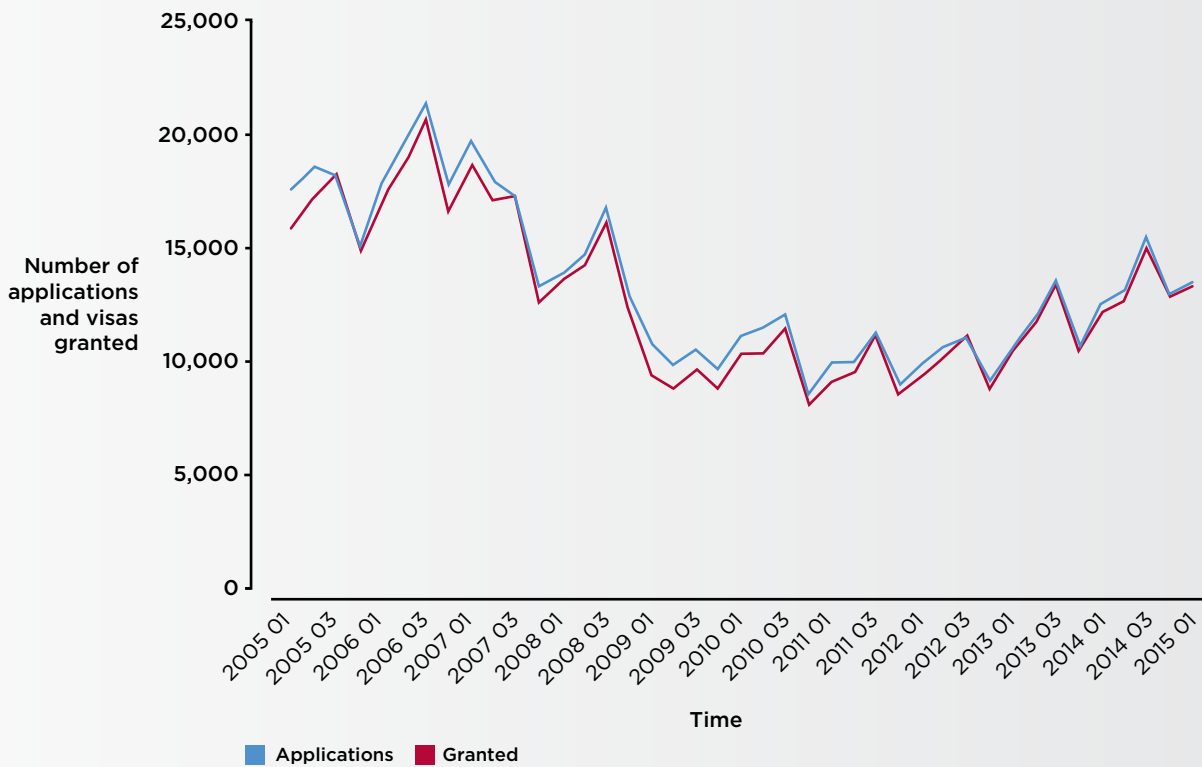
Figure 2 Applications to Tier 2 (General) by sector



Jinghua - A designer in financial services from China

Jinghua would again look to the Tier 2 (General) route,¹⁵ but unlike Valentin, who can apply under the Shortage Occupations Route - employers in financial services are required to conduct a Resident Labour Market test for hiring a non-European designer. A Resident Labour Market test is the process of proving that UK workers cannot do the job that an employer wants to hire a non-EEA migrant for. To pass the test, an employer must have advertised the job in an appropriate way for the sector and be able to show that no suitably skilled, settled worker can do the job. Government suggests where the employer must advertise the job, for how long, and what information needs to be included in the advertisement.

Figure 3 Tier 2 (including pre-PBS equivalent) applications and visas granted



There is a cap to the number of migrants that can come to the UK on the Tier 2 (General) route, which is fixed at 20,700 per year. In late 2015, and early 2016, the share of the annual 20,700 cap was reached, which led to some applicants being turned away, or forced to defer their application.¹⁶ According to the CBI this is a severe blockage¹⁷ in the UK's efforts to boost productivity. Because of this, the route can be onerous for employers. They have no guarantee that any visas are left to be allocated each month, and the process can be time consuming.

Changes to the Tier 2 (Skilled Workers) route

Over the last year, there have been a number of developments that have created a state of uncertainty around the future of Tier 2, and these developments are especially relevant for creative talent.

In late 2015, the Migration Advisory Committee (MAC) was tasked with providing advice on reducing work migration from outside the EU, whilst making sure Britain is open to the 'best and brightest' talent. Recommendations from this consultation include increasing the salary threshold from £20,800 for Tier 2 (General) experienced workers, to £30,000, and introducing the Resident Labour Market Test for those looking to switch visa categories for in country applications. Despite these recommendations offering a more moderate solution compared with the suggested salary threshold rises from the Home Office (which was £35,000), this rise could have disproportionate impact on certain sectors of the UK economy.

The report suggests that the government considers the special case of the 'creative sector', with guidance on measures. Additional codes of practice have been agreed with the sector (which consists of five Standard Occupational Classification (SOC) codes). Creative occupations do not have to comply with requirement for other jobs that the worker is skilled to NQF6+, which is equivalent to a Bachelor's Degree, but they must be skilled at NQF4+, which is equivalent to a Certificate of Higher Education. Since the methodology for raising the overall minimum salary threshold to £30,000 is based on occupations skilled to NQF6+, there is a rationale to exempt the creative occupations from the increased threshold. In addition, the numbers coming in within these occupations have remained in the low hundreds over the last five years, therefore having negligible impact on the overall inflow within Tier 2.

In the government's response to the MAC's consultation, changes have been less dramatic than expected in terms of prospective impact on the creative industries, however, no special consideration for Creative Occupations was mentioned. The government will look to implement a £25,000 salary threshold for experienced workers, while the entry level threshold remains at the current level of £20,800. This is positive for creative occupations, where flexible employment structures and wellbeing compensation effects account for lower than average salary levels for entry level jobs across creative sub sectors.

Had increased salary levels been implemented, which may happen in the future, two negative scenarios may have emerged for UK employers. Firstly, if salary thresholds were raised above the market rate it may prevent employers from hiring, what would now disproportionately expensive, non-European creative workers. Secondly, employers may have had to increase salaries of creative jobs where UK workers could not be found to enable the hire. Alongside this, better tailoring the UK's education system, including technical and professional education, to meet the skills needs of UK employers would have the effect of reducing demand for non-EEA workers.

Emmanuel - A Nigerian computer animator with a temporary contract in a London VFX studio

Temporary workers act as a labour force lubricant to ensure that seasonal, or project based vacancies, (common in the creative economy) are filled by skilled workers.¹⁸ For Emmanuel there is a specific route for temporary creative workers in the Points Based System under Tier 5 (Youth Mobility and Temporary workers).

Arts, entertainment and recreation is the largest group of sub-sectors applied to under a Tier 5 visa. One of the most popular routes is through the Creative and sports workers subcategory.¹⁹ When looking at temporary work in the creative industries seasonality counts. We can see from the data, for instance, a spike in the third quarter of 2012 shows the impact that high profile sporting and cultural events can have on migration trends - in this case the London Olympic games.

Figure 4 Tier 5 (and pre-PBS equivalent) Applications and visas granted

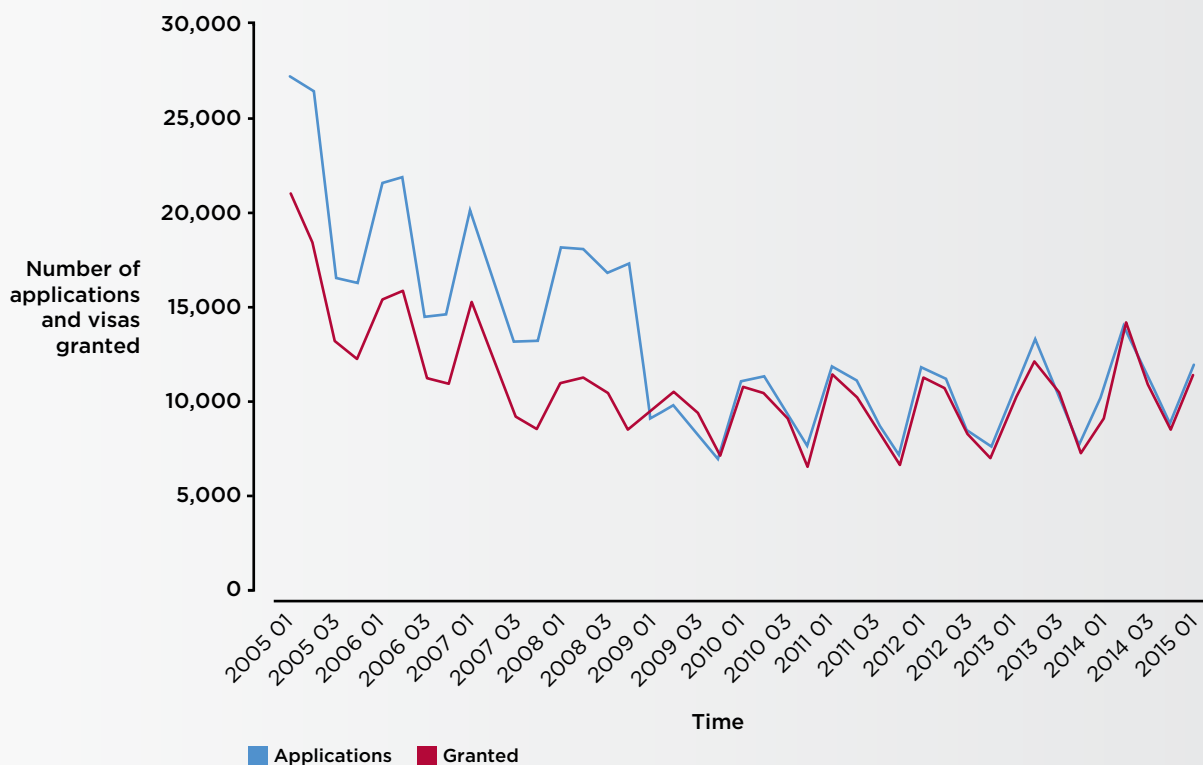


Figure 4 above show the stabilising effect of the introduction of the Points Based System in 2008, with an initial shift in the pattern of applications. The difference between applications made and granted has diminished following the shift to a more transparent mechanism for application assessment.

For Emmanuel, this route enables temporary migration and is relatively straightforward. Although the job Emmanuel is applying for a visa with is a Shortage Occupation, for a successful Tier 5 application, the job does not have to be on the Shortage Occupation List, which means that creative companies can hire more freely than for Tier 2 Skilled workers. If the Emmanuel needs to be kept on at the VFX studio for longer than 12 months more, Tier 2 would be the natural route to transition to. VFX jobs on the Shortage Occupations List include software developers, shader writers and games designers in 2D/3D computer animation for the film, television or video games sectors.

CONCLUSION

The creative industries are an important driver of UK economic growth and should feature prominently in the government's industrial strategy. But, their continued growth requires creative talent. The UK cannot meet the whole of the creative industries' talent needs, so firms must recruit from overseas. The UK's decision to leave the EU will make it all the more important that it can recruit skilled talent from outside Europe. This briefing first explores the levels of creative talent from Europe and the rest of the world working in the creative industries, then looks at some of the policy routes available to non-EEA migrants.

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The UK's migration policy system, though not specifically tailored for creative migrants, currently offers a number of routes for workers from outside of Europe.

These routes are complex, however. With greater uncertainties about EU migrant workers in the creative industries, the UK needs to review how it can make it easier for UK creative businesses to meet their migrant talent needs from outside Europe.

ENDNOTES

1. Creative Industries Economic Estimates - January 2016, DCMS <https://www.gov.uk/government/statistics/creative-industries-economicestimates-january-2016>
2. Creative Industries: Focus on Employment - June 2016, DCMS https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/528173/Creative_Industries_2016_Focus_on_Employment.pdf
3. The points-based immigration system is the means of regulating immigration to the United Kingdom from outside the European Economic Area where applicants are awarded points for attributes and skills that count towards their application.
4. UKCES (2014) The Labour Market Story: The State of UK Skills. [Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/344440/The_Labour_Market_Story-The_State_of_UK_Skills.pdf]
5. PBS is the UK Points Based Migration System, for more information see UK Visas and Immigration pages. [Available at: <https://www.gov.uk/government/organisations/uk-visas-and-immigration>]
6. This includes using country of birth, nationality and sector to create an estimate of non-EEA and EEA creative economy workers.
7. Please note that these results are experimental and represent a potentially small sample.
8. Publishing - 87 per cent UK, 9.5 per cent EU, 4 per cent non-EEA. Architecture - 87 per cent UK, 10.5 per cent EU, 3 per cent non-EEA.
9. <https://www.gov.uk/tier-1-entrepreneur>
10. <https://www.gov.uk/tier-1-graduate-entrepreneur-visa>
11. See, for example, Nathan M., and Lee, N. (2013) Cultural diversity, innovation, and entrepreneurship: Firm-level evidence from London. *Economic Geography* 89: 367-394.
12. See Migration Advisory Committee (2015) Tier 1 Entrepreneurs: Review of the Tier 1 Entrepreneur and Graduate Entrepreneur routes. [Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/472236/Report_Tier_1_Entrepreneurs.pdf]
13. A Designated Competent Body is an organisation allocated by the Home Office to the relevant sector, for instance, Tech City UK are the designated body for the tech sector, under the new Tech Nation visa.
14. Tech Nation 2016.
15. <https://www.gov.uk/tier-2-general>
16. <http://www.techworld.com/news/startups/exclusive-1000-skilled-workers-locked-out-of-uk-inquiry-launched-3620892/>
17. <http://www.telegraph.co.uk/finance/economics/11745205/CBI-calls-for-more-skilled-migrants-to-get-visas.html>
18. Bakker, R. M., Boro, S., Kenis, P. and Oerlemans, L. A. (2013) It's only temporary: time frame and the dynamics of creative project teams. *British Journal of Management.* 24(3), 383-397.
19. See Home Office (2015) 'Migration Statistics: Quarterly release.'

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