

Professor Alan Manning  
Migration Advisory Committee  
2<sup>nd</sup> Floor  
Peel Building  
2 Marsham Street  
London  
SW1P 4DF

11 January 2019

Dear Professor Manning,

### **Shortage Occupation List Review**

The Federation of Small Businesses (FSB) welcomes the opportunity to contribute to the Migration Advisory Committee's review of the Shortage Occupation List (SOL). As Scotland's leading business organisation, we have focused our comments on the need for the SOL itself to change – rather than comment upon the technical aspects of the review. This is because we have fundamental concerns about how such an approach will work for small businesses in Scotland and felt it was important to highlight these concerns to the MAC.

In summary, we argue that the MAC should be open-minded about the prospect of expanding the Scottish Shortage Occupation List to include a sub-national, regional skills shortage model. Further, the MAC should appoint a Scottish representative to be directly responsible for monitoring the labour and skills implications which emerge in Scotland as a result of Brexit.

Since the UK's vote to leave the EU, the key Brexit issue facing small businesses across Scotland has centred on people: specifically, how they access non-UK labour and skills beyond the transition period in a post-Brexit immigration system. As a result, FSB has continuously argued for a system which facilitates business growth, is easy-to-use and is affordable for employers – most notably in parliamentary inquiries undertaken by Holyrood<sup>1</sup> and Westminster.<sup>2</sup>

This is an especially important issue for the small business community – and is critical context for the MAC's deliberations – due to their increased reliance on EU-27 labour, in comparison to their counterparts elsewhere in the UK (5% higher than levels for the

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<sup>1</sup> See: [https://www.fsb.org.uk/docs/default-source/fsb-org-uk/cr\\_immigrationinquiry\\_fsbresponse-august17-final.pdf?sfvrsn=0](https://www.fsb.org.uk/docs/default-source/fsb-org-uk/cr_immigrationinquiry_fsbresponse-august17-final.pdf?sfvrsn=0)

<sup>2</sup> See: [https://www.fsb.org.uk/docs/default-source/fsb-org-uk/cr\\_immigrationinquiry\\_fsbresponse-nov17-final.pdf?sfvrsn=0](https://www.fsb.org.uk/docs/default-source/fsb-org-uk/cr_immigrationinquiry_fsbresponse-nov17-final.pdf?sfvrsn=0)

UK as a whole). Indeed, according to survey work with FSB members, 45% of smaller businesses in the tourism and hospitality sector have at least one EU worker.<sup>3</sup>

Crucially, almost all small employers have never made use of the UK's points-based immigration system (95%), as the majority have recruited EU workers from Scottish and UK labour markets (85%). In short, access to non-UK labour and skills is a make-or-break issue for many businesses and, as things stand, the recently published White Paper is likely to result in significant harm to business growth in Scotland.

The review of the SOL, then, arrives at an important juncture for small businesses. While we are not in a position to provide evidence of shortages from tens of thousands of FSB members, we would like to make a few points about how the SOL could help businesses adapt to an uncertain and tumultuous post-Brexit environment.

The first point we would like to make is that the conclusion of this review should not be the final word on the SOL and the Scotland-only SOL. To do so prior to our departure from the EU, when the impact on the labour market is unknown and the operating environment for firms is unknown, would be a mistake. Instead, the MAC should operate an evidence-based approach and continuously review the SOL and Scotland-only SOL. Building in this flexibility, however labour intensive it may be, will be of critical importance.

The MAC should not perform this task alone, however. In taking on an enhanced role and a greater interest in labour market developments in Scotland and the rest of the UK, it should utilise the expertise that resides outside of Westminster. In keeping with the spirit of devolution, the MAC should appoint a Scottish representative to be directly responsible for the Scotland-only SOL and monitor the labour and skills implications that emerge from Brexit. There is expertise within the government, parliament, business and academia which should be accessed.

Lastly, we believe that a fundamental restructuring of the Scotland-only SOL may be required following the proposed end of freedom of movement. The need for the MAC to identify a national skills shortage for the SOL is, in our view, a weakness of the current scheme and is particularly ill-suited for a country as geographically diverse as Scotland. The recruitment experiences of an FSB member in the hospitality sector in Kylesku, one of the most remote places in mainland UK, are manifestly differently from a hotelier in Glasgow. Indeed, Scotland is home to a variety of local labour markets where unemployment, employment, self-employment and inactivity rates differ markedly. Therefore, we would recommend that the MAC underpin the Scotland-only SOL with a sub-national, regional skills shortage model for Scotland.

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<sup>3</sup> See: <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/brexit-labour-and-skills---scottish-doc.pdf?sfvrsn=0>

I do hope these comments are useful. As always, please do not hesitate to get in touch if you would like to discuss any aspect in more detail.

Yours sincerely,



Andrew McRae

Chair, Scotland Policy Unit, Federation of Small Businesses (FSB)