



Business, global talent and UK immigration policy

Summary of points

This paper reviews the business case for global talent, highlighting the following key points:

1. Recruitment of skilled workers from outside the European Union is central to many businesses in the UK, and evidence indicates they currently make a positive contribution to UK's GDP.
2. Immigration policies that aim to reduce net migration to the UK by restricting skilled migrant workers bring significant risks for UK businesses.
3. Continuing to enable skilled migration from outside the EU is viewed by many UK businesses as critical to their future development and to wider economic growth in the UK.

International talent and business in the UK

The ability to attract international skills is central to the operation of many businesses in the UK, from small and medium-sized enterprises to large multinational companies. Between 2008 and 2011, businesses have been able to recruit skilled workers from outside the European Union (EU) under the Points-Based System (PBS). Key routes of entry have been PBS Tier 1 (highly skilled migrants) and Tier 2 (skilled workers, of which 60% entering in 2009 came via the Intra-Company Transfer route). In addition, the Tier 1 Post Study Work route for foreign graduates has provided a further source of international talent for business in the UK.

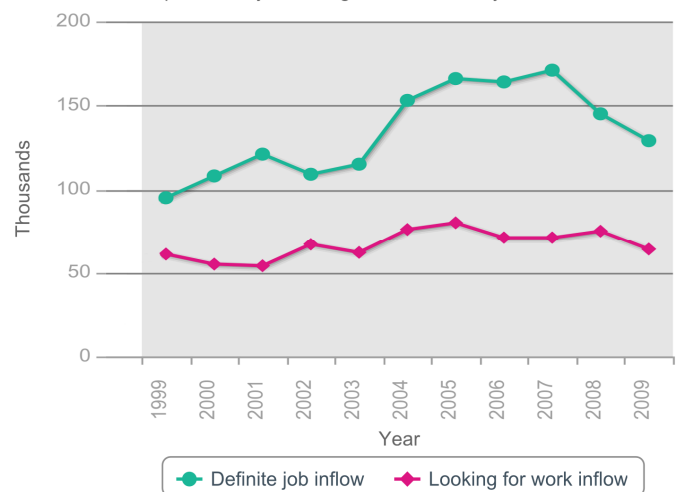
Analysis compiled by the Migration Advisory Committee indicates that skilled labour migration has generated significant benefits for UK business and the economy more widely. Tier 1 and 2 workers are likely to have a positive impact on GDP per head, as well as making a positive net fiscal contribution in the UK (MAC, 2010). Many of the impacts reported in relation to low-skilled economic migration, such as downward pressure on pay and employment levels of resident workers have not been strongly evidenced in relation to Tier 1 and 2 migrants (MAC, 2010).

Data from the Department for Business, Innovation and Skills (BIS) in 2010 indicated that five sectors adding substantial Gross Value-Added (GVA) to the national economy between 2005 and 2008 - financial intermediation; real estate, renting and business activities; hotels and restaurants; health and social work; and transport storage and communication - also had a disproportionate share (60%) of the UK's non-EU workers (MAC, 2010). UK trade in migration sensitive service sectors is significant, with 2009 credits/exports estimated at £3.8 billion for computer and information services and £25.4 billion for other business services (HM Treasury, 2010).

Migration policy is central to the UK's ability to attract inward foreign direct investment, estimated at US\$1,125 billion in 2009 (UK Trade and Investment, 2010). Availability and quality of labour is known to be a key investment location factor for many businesses. The UK was ranked by the World Bank as the 5th best place to do business internationally (CBI, 2010). 50% of European

Immigration by Reason: 1999-2009

Chart provided by www.migrationobservatory.ox.ac.uk



Source : Office for National Statistics. Long-Term International Migration

headquarters are based in the UK (BCC, 2010), with the UK attracting more inward investment projects than any other European country in 2009 (UKTI, 2010).

The benefits to business from international skills are likely to have strong regional variation, with particular significance for those based within the capital. International migration has been described as the 'engine of London's economic growth' (Greater London Authority, cited by MAC, 2010), with firms emphasising the ability to attract talent from across the world as central to maintaining London's international reputation as a hub for trade and investment. The importance of international migration has also been highlighted in relation to Scotland, with ministers arguing that its low GDP growth rate can be linked to low population growth, pointing to a need for more skilled non-EU workers.

Within the context of global economic challenges, research indicates that UK efforts to attract international talent will need to increase, rather than decrease, if the UK is to maintain its position as a global hub for growth and development (Work Foundation, 2008). This will be particularly important in the context of growing international competition for skills among emerging super-powers such as China, Brazil and India, and other high-income countries such as Germany and Italy (NEF, 2010).



Government policy on skilled non-EU workers

Over the past six years, the numbers of skilled non-EU workers coming to the UK have been in steady decline. In 2009, 55,000 long-term migrants came from outside the EU for work, down from 114,000 in 2004. The drop in numbers follows increasing political concern about the level of non-EU labour migration to the UK.

Major Coalition Government reforms since May 2010 have aimed to further reduce numbers of non-EU skilled workers by 2015, by both limiting numbers of visas available and raising the requirements for Tiers 1 and 2. In June 2010, the Government introduced a temporary limit on the number of Tier 1 and Tier 2 visas available. A permanent cap on Tier 1 and 2 visas came into force in April 2011, limiting skilled migrant visas to 21,700 for 2010/11.

Since April 2011, 1000 visas per year are now available under Tier 1 for highly skilled migrant job-seekers from outside the EU showing 'exceptional talent' within the sciences, arts or humanities. Numbers of investors and entrepreneurs remain unlimited. The Tier 1 (General) route has closed and Tier 1 (Post Study Work) for foreign graduates will also close in April 2012.

The number of visas available for Tier 2 (General) has also been limited, to 20,700 per year. This has been accompanied by further changes to Tier 2 skills and English language requirements since April 2011. In addition, although Intra-Company Transfers are not included in the immigration cap, those wishing to stay in the UK for longer than 12 months are now subject to a minimum earnings threshold.

A Government consultation released in June 2011 proposes significant changes to settlement for most migrant workers and their dependents in the UK. These measures would require most skilled migrant workers and their dependents to leave the UK after a maximum of five years, with no right to apply for settlement here. In June 2011, the British Chambers of Commerce argued that this could be *"incredibly disruptive to companies of all sizes, and to the UK's economic recovery... The criteria for which migrants do get settlement rights must reflect business needs and the economy, as well as political considerations."*

CASE STUDY

A major financial institution had significant inward investment planned for the UK in 2010, which would involve moving key individuals under Tier 2 (General). However, their allocation for skilled workers under the temporary immigration cap was all but used up in summer 2010, leaving them with an allocation of just one Tier 2 Certificate of Sponsorship until April 2011. As a result the company was forced to put their investment plans on hold until exceptional approval could be obtained from the UKBA.

Case study provided by PricewaterhouseCoopers

What does business want from migration policy?

Challenges are likely to lie ahead in reconciling the central role played by skilled migration with Government targets to substantially reduce Tier 1 and 2 migration by 2015. Although the exemption of Intra-Company Transfers from the immigration cap has gone some way to meeting business needs, concerns remain about the future.

Research indicates that many employers had negative experiences associated with the temporary immigration cap between June 2010 and April 2011. One in six employers questioned for a CIPD/KPMG survey released in May 2011 believed that they had been restricted in recruiting non-EU workers as a result of the temporary immigration cap. This increased among private sector employers, with 21% reporting difficulties in recruiting as a result of the cap.

The CIPD/KPMG survey also indicated the ongoing intention among one in ten employers to recruit migrant workers during the second quarter of 2011. 36% planned to actively recruit non-EU workers based in their host country. Despite this stated intention, UKBA figures indicate low take-up of Tier 2 Certificates of Sponsorship by employers between April and June 2011, due to confusion among employers about the operation of the new immigration cap.

In terms of the way forward, representations made to the Migration Advisory Committee and the Home Affairs Select Committee during 2010 from within the business community indicate that businesses would generally welcome policies that enable them to continue to recruit skilled workers from outside the EU, within immigration rules which are flexible and efficient.

While employers may be willing to invest in skills development among resident workers with the aim of meeting labour needs in the future, training and up-skilling in sectors such as finance, IT, engineering, doctor and nursing training is a lengthy process. There are doubts about whether, even in the long-term, the resident labour market can really be expected to provide all the skills needed to operate within global markets.

Framing this debate is a concern among many businesses about the impact of immigration regulations on the wider UK economy, particularly critical at a time of recovery. Economists have predicted that reducing the UK's recruitment of skilled workers could reduce UK output by as much as £2 - £4 billion by 2015 (NIESR, 2011). Such forecasts add to a climate of uncertainty which could have significant impacts for business into the future.

Compiled by the Migrants' Rights Network (MRN). With thanks to London First and PricewaterhouseCoopers.

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