

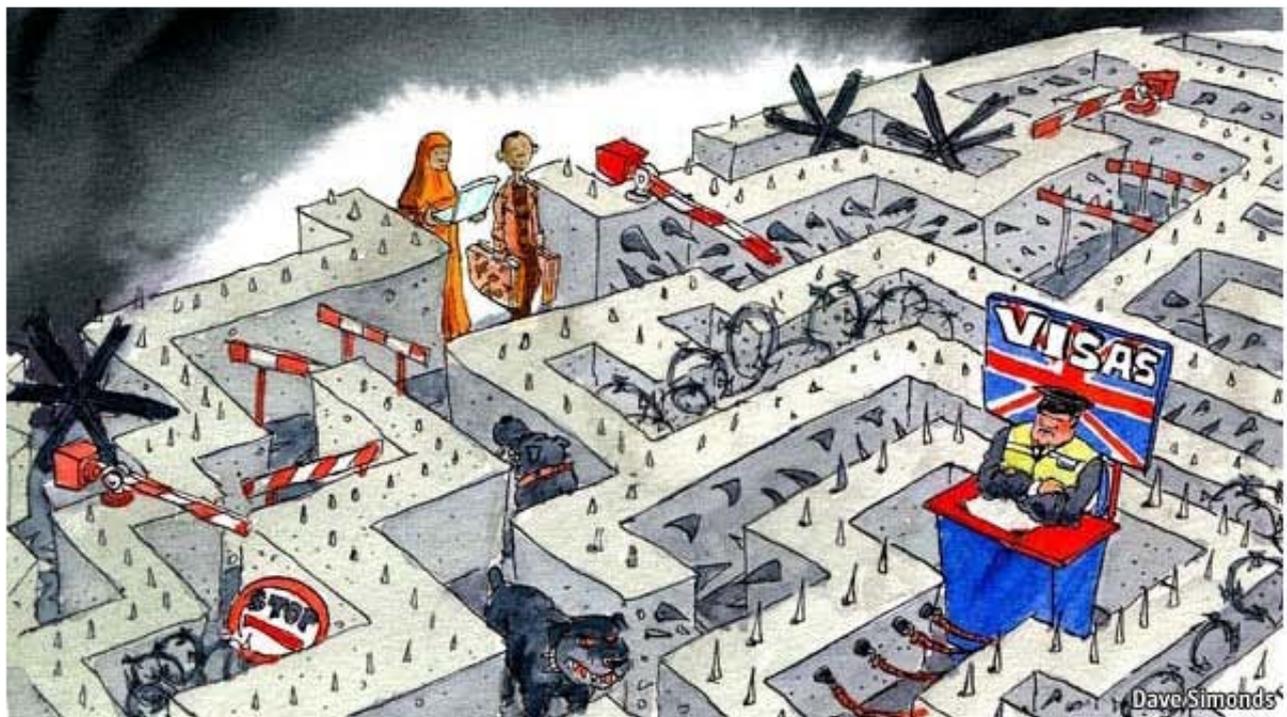
The Economist

Immigration and business

A harder road

The government's policy on students and skilled migrants threatens to do long-term damage to the economy

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IN JULY Hussam Elamin, a Sudanese graduate of Leeds University, was told to make plans to leave Britain. A two-year post-study work visa had expired; his application for a residency visa had been denied; his marriage to a European citizen was declared a sham. These were the latest in a series of setbacks. In 2010 Mr Elamin had to leave two jobs because his employers balked at the cost and hassle of sponsoring him for a work visa.

Then Mr Elamin's luck changed. Following a successful appeal (his marriage was not bogus) he has just started work at MarketInvoice, a London technology firm that connects

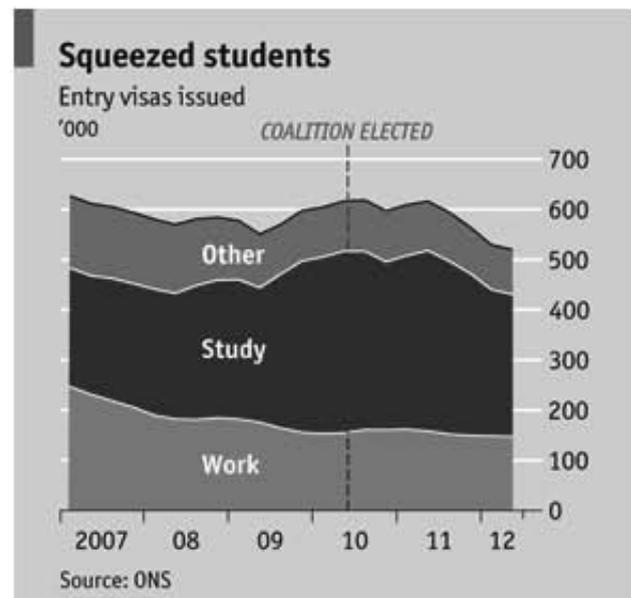
investors with credit-starved small businesses. The firm had searched in vain for a web developer to help the business grow quickly. It is a fortunate break for both firm and employee—but hardly a tribute to Britain’s immigration system. And the tortuous route that Mr Elamin trod has since been made harder and narrower.

In the past two years the coalition government has clamped down hard on legal immigration. David Cameron, the prime minister, has stuck with a promise to cut net migration to the “tens of thousands” by the end of this parliament in 2015. In practice this means curbing

immigration from outside the European Union. Foreign

students, who used to have the automatic right to work for two years after completing their courses, will have only a few months to find a licensed sponsor who will pay them at least £20,000 (\$32,300) a year. The changes seem to be having the desired effect. In the year to June the number of work-related visas issued fell by 7%, while 21% fewer study visas were handed out (see chart).

Britain’s reputation among foreign would-be students has already worsened. “Really very bad news” and “new rules hit us badly” are two typical comments left on an Indian website that reported the change in immigration rules. A related worry is that business will suffer. The cluster of technology start-ups near the Old Street junction in east London known as “Silicon Roundabout” relies on imported skills. In the City many migrants are on secondment from the head offices of foreign-owned businesses and banks. Workers and students are vital for building the skills and global networks that drive Britain’s



service exports. A poorly constructed migration target is putting Britain's long-term economic health at risk.

Biggish businesses with predictable staffing have generally navigated the stricter rules. Multinational firms are free to bring in staff from offices abroad provided their pay is above set thresholds, which vary depending on how long the workers will stay. Some companies, such as Tata Consultancy Services, the Indian firm that pioneered the outsourcing of computing to remote locations, have responded by tweaking their employment practices. Tata now sends middle managers to Britain for less than a year, to comply with the lower salary threshold.

Rules, red tape and rhetoric

An annual quota of 20,700 for skilled migrants applying for jobs from outside the EU is undersubscribed. But if the cap does not yet pinch big business, there is much grumbling about how the rules are applied, as well as over the message that skilled migrants are not wanted in Britain. Business folk complain about the expense and wrangling involved in securing work visas. Firms apply and hear nothing for months. There are tales of annoying rule changes at short notice.

Smaller firms, which often lack staff dedicated to navigating the system, are put off by the bureaucracy and uncertainty. Charles Delingpole of MarketInvoice, Mr Elamin's new boss, said he would not have gone through the hassle of applying for a work visa. "We can't spend months and thousands of pounds on something that might not work," he says.

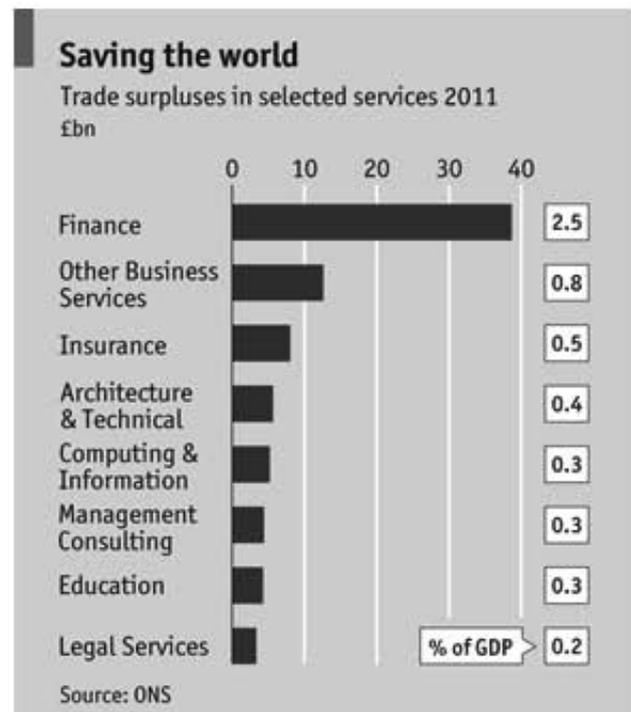
Technology start-ups must be agile. A delay of a few months in filling a position can be critical. Engineering talent is scarce but product managers with the commercial nous to take a firm from a few dozen employees to a few hundred are rarer still. America is the main hunting ground for this species, says Dan

Crow of SongKick, a live-music website. Good candidates have better options than waiting five months for a British work visa, he says.

The curb on skilled migrants is also troublesome for service industries whose international success is based on London's position as a global hub. Finance is the biggest earner, with a trade surplus of £39 billion last year, equivalent to 2.5% of GDP. The City's status is under threat. Migration rules are off-putting and the political rhetoric unwelcoming. Competition for footloose finance is fiercer than politicians think, according to Chris Cummings of TheCityUK, a lobby group. Other capitals are friendlier: "The attitude in Singapore is: 'How can we help you to move here?'"

The combined trade surpluses of other business services, including architecture and management consulting, are hefty, too (see chart). To win export business it greatly helps to have foreign staff who understand local regulations and culture, says Paul Davis, who leads an architectural practice with a staff of 100 from a variety of countries. His firm lost business when it could not extend the work visas of two Russian graduates. "Yes, there is unemployment among British architects," he says. "But if you are trying to work overseas, you need to present yourself as an international practice."

Restrictions applied to foreign students may do the most damage. Britain's higher-education sector is a big exporter, second only to America's. It generated £3 billion from non-EU



students in fees alone in 2010-11, much of it from emerging markets such as China, India and Nigeria.

Four-fifths of students return home within five years of arriving, having made a connection that reinforces Britain's position in global networks. Those who stick around for longer are a valuable source of high-skilled labour. Non-EU students are more likely to be postgraduates and to study science and engineering than indigenous ones. The tech start-ups around Old Street draw on this source. "Only half our staff are British but most of the rest came here to study," says Mr Crow. The recent changes make it imperative to find a sponsor soon after graduation. But potential employers are often unclear about the rules and are wary.

The world's brightest talents have plenty of options. Other countries are courting them. Australia has relaxed its rules on student visas. Canada gives three-year work visas to its graduates with master's degrees. America's appeal rarely dims. Its politicians may yet agree to allow more foreign-born science graduates to stay and work. Meanwhile Britain is at risk of scaring them off.

from the print edition | Britain

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