Immigration: a future approach
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Executive Summary
Introduction

London’s reputation and position in the world as a capital of finance and business is a major asset to the UK, and underpins our national economic strength. London accounts for more than a fifth of UK economic output, one in three of its service exports, and raises considerably more in taxes than it spends on public expenditure.\(^1\) \(^2\) London is consistently in the top 3 global cities for the number of inbound FDI projects\(^3\) and 40 per cent of the world’s largest 250 companies have their European headquarters in London.\(^4\) When London grows, the UK grows\(^5\) – and the reverse is also true.

London’s economy specialises in services and is highly diverse. It has global strengths, not just in finance and insurance, but also in information and communication, professional, scientific and technical activities, creative and cultural and real estate.\(^6\) For businesses in these sectors, and those looking to invest in our city, access to a deep and highly-skilled labour force is vital. London’s concentration of talent from all around Europe and the world helps drive innovation and growth.\(^7\) There is also evidence that migration supports higher productivity, including through the range of skills and experience and innovative thinking it can bring.\(^8\)

In a knowledge economy, and for businesses in, for example, the creative and digital technology sectors, freelancing is common and London has benefited from both a UK-based and European pool of mobile talent. The build-up of creative and wider talent in the capital helps in turn to attract business and investment, and creates more opportunities for Londoners. This has played out well for the UK as a place that welcomes skilled and talented people from across the world. This aspect of London’s creative dynamism and innovation is something that a visa system on its own will struggle to replicate.

The UK’s current visa system covers non-EU nationals coming here to work and study. It is mainly based on an employer–sponsorship model. This process takes time, is costly and relies on standard criteria for assessing a person’s suitability (eg level of qualification, salary). This type of system is not set up to generate the dynamic build-up of talent and entrepreneurship which we have seen through the flexibility of Single Market membership. It is the UK’s membership of the Single Market, and freedom of movement, which has provided the flexibility and agility that drives our modern knowledge economy. The UK’s visa system would require considerable reform in order to replicate these benefits.

The Mayor believes that a robust, managed migration system, and strong borders are essential for our national security and to ensure public confidence in the system. Furthermore, in parts of the UK, people have expressed legitimate concerns about the pace of immigration during certain periods, and the impact that this has had on their communities. Such concerns must not be ignored.

However, listening to and reflecting in policy such concerns is not inconsistent with creating a migration system that allows London and the UK to continue to prosper. It is vital that a solution be found to allow UK businesses continued barrier-free access to a dynamic European workforce. Meanwhile, they need to be able to recruit and work with the brightest talent from across the world.

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4 Deloitte, ‘London is undisputed business capital of Europe’, 2014
5 GLA Economics (2014) Growing Together II: London and the UK Economy
7 For example, see European Cities Monitor, Cushman & Wakefield (2006-2011); PwC (2016) Cities of Opportunity
8 For example, see Rolfe, H et al Migration and productivity: employers’ practices, public attitudes and statistical evidence (2013) http://www.niesr.ac.uk/sites/default/files/publications/Migration%20productivity%20final.pdf
with a process that, while still robust, involves less red tape than currently exists. He believes that it is vital that our economy retains its reputation for openness and for access and attractiveness to world class talent and a flexible and skilled workforce.

This document is based upon the Mayor and Greater London Authority’s dialogue with business, universities and communities from across the capital. The Mayor’s Brexit Advisory Group provides regular high-quality advice on the priorities for different sectors and organisations. In July this year, the Mayor hosted a summit of London business and university representatives, public service providers and migration experts to discuss what a future approach to migration should deliver. The paper sets out the Mayor’s position on migration – both European Union (EU) and non-EU. It then develops what he considers priorities for Government, followed by further analysis on longer term reforms to UK/EU and UK/rest of the world relations to ensure jobs, growth and our future prosperity.

The Mayor’s position

EU citizens and freedom of movement
During the EU referendum campaign, the Mayor argued strongly for the UK to remain in the European Union, and was disappointed by the result. However, he respects the outcome of the vote and now believes that the UK must prioritise protecting jobs and economic growth. The best way to achieve this, including maintaining the access to talent which is vital to our economic success, is to retain membership of the Single Market. This could be through existing structures or a bespoke agreement between the UK and EU.

The risks attached to disruption to business, research and cultural partnerships as part of leaving EU membership are significant; so is the potential damage to the capital’s reputation as an open and welcoming city.

The Mayor believes that it is vital that we listen and respond to the legitimate concerns that were highlighted through the referendum campaign period on freedom of movement. In many parts of the country, people expressed concern about the pace at which immigration had taken place during certain periods. However, the Mayor is concerned that in having given the appearance of prioritising a hard Brexit in order to secure control over immigration at any cost, the Government has caused unnecessary alarm among business, and especially among the more than one million European Union citizens who call London home; whereas there should have been a clear and early commitment to permanent residence for EU citizens in the UK. The Mayor continues to call for a clear and immediate guarantee that all EU citizens resident in the UK will be welcome to remain permanently.

The General Election result made clear that there is no majority for a hard Brexit which would see the UK leave the EU without a long-term agreement in place – whether in March 2019 or after an implementation period. Since the Election, the Mayor has argued for continuation of Single Market membership. The Mayor believes that the UK’s continued membership of the single market is vital to London and the UK’s long-term economic interests. He has been consistently clear that at the very least we need a transitional period that mirrors single market membership. While he welcomes the fact...
the government has finally heeded this call, setting an arbitrary two-year limit to this period is not only risky, but unrealistic. An ambitious deal on our future economic, trading and regulatory relationship could take longer, and businesses need certainty that there will be no cliff edge, either in 2019 or at a later date. The Mayor believes that the Government’s acknowledgement of the need for an implementation period could and should have occurred much earlier.

The Mayor considers that the UK now has a real opportunity to negotiate a long-term agreement that respects the outcome of the referendum and safeguards our future prosperity. Instead of constraining the negotiations further by restricting an approach approximating to single market membership to the implementation period, the Government should open up discussions for this to form the basis of our long-term relationship with the EU. This would include the continuation of freedom of movement of people. The Mayor believes that, in order to meet people’s concerns about the impact of freedom of movement, the Government could explore further qualifications to freedom of movement, beyond those which are already available under current treaties. Alongside this, it is vital that payment of the National Living Wage, or National Minimum Wage, as applicable, are properly enforced and that the exploitative use of zero-hours contracts is clamped down upon, to ensure that local workforces are not being undercut through exploitation.

The UK visa system and access to global talent
The Mayor believes that remaining in the Single Market should not delay reforms to the visa system for non-EEA nationals to work and study here. Instead of restricting skilled migration (for example, through the 20,700 annual limit on Tier 2), the Government needs to open up opportunities for non-EEA skills and talent. We should look to reflect more of the strengths of the single market in the visa system. This would, for instance, look to create more opportunities for entrepreneurs with a strong business case, and freelance talent in areas such as creative and tech.

London’s higher education institutions are world-leading and a huge benefit not just to the London economy. They are a ready supply of top talent, and responsible for innovations that benefit business, science, health, and living standards in the widest sense. However, the inclusion of international students in the annual migration target has been a costly mistake – it has affected the reputation of our higher education sector and the UK as a welcoming place. This comes at a time of increased global competition for international students, talented academics and researchers. It is clear that the Government should reverse this mistake as a matter of urgency.

Meanwhile, the closure of the Tier 1 post study work visa in 2012 was not replaced with a clear alternative and prospective students are left to decide whether the investment in studying here is financially viable. This has damaged international student recruitment, particularly in key markets such as India. The Mayor wants this too to be rectified urgently and new post-study work visa routes established. This will support our universities to recruit the brightest and best and to allow our businesses, scientific institutions and public services to fully benefit from the skills and talent that our universities produce.

At the same time as providing a flexible approach to migration, the UK needs to invest more in ensuring that the national living wage and wider employment conditions are enforced – for employers and workers. The Mayor welcomes the appointment of Sir David Metcalf as Director of Labour Market enforcement. The Mayor’s Good Work Standard will encourage more employers to adopt the London Living Wage and ensure good working conditions for all. The Mayor also recognises the wider value of

13 These are set out in the section Long-term reforms: UK/EU relations
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migration to London and has argued consistently that immigration is a net positive: people come here to work and to set up businesses; they gain income and spend it in the rest of the economy. Access to talent also attracts more global businesses to base themselves in London, creating further jobs and opportunities for Londoners.

Alongside this, the Mayor is working to ensure that all Londoners have access to the right type of training and guidance: Londoners need to be able to access the skills that our economy needs to grow. Skills policy however is not a replacement for migration – there is not a set number of jobs in a growing economy. Instead, London’s openness to global skills and talent is part of its success as a leading international city. This creates opportunities and the skills system needs to be responsive so that Londoners can take advantage of them. This starts at school but carries on through lifelong learning. Devolution of the Adult Education Budget from 2019/20 will contribute to creating a more strategic approach to the provision of skills by ensuring that funding is better focused on addressing London’s skills needs.

The Mayor calls upon the Government to:
• Recognise the benefits that migration and freedom of movement have brought, and can continue to bring to our economy and society.
• Prioritise jobs, growth and future prosperity over politically driven policies to reduce immigration, and recognise the risk of such policies to London and the UK’s economy and our reputation for being open to talent, innovation and investment.
• Provide a cast iron guarantee to EU nationals in the UK that they are welcome to stay.
• Pursue an implementation arrangement with the EU which maintains the status quo, and seek to negotiate a long-term agreement based on remaining part of the Single Market. To ensure that legitimate concerns about freedom of movement are met, options for qualifying freedom of movement of people under current treaties and future reasonable amendments should be explored as part of that process.
• Remove international students from the annual net migration target as a matter of urgency.
• Adopt a pro-active approach to bringing global talent to the UK by reforming the current non-EU visa system:
  o Introduce clear post-study work opportunities for international students that can be used by universities as part of recruitment drives.
  o Abandon or increase significantly the Tier 2 annual limit.
  o Broaden the ‘success criteria’ for the Tier 1 Entrepreneur route to better reflect the growth cycle of many innovative start-ups and scale-ups.
  o Review options to enable dynamic access to freelance talent, particularly in creative, science and technology.
1. Priorities for Government

The Migration Advisory Committee’s commission

The Home Secretary set out three phases to the Government’s approach to migration as the UK leaves the EU: addressing the status of EU nationals in the UK; an implementation phase; and a future immigration system. The Home Secretary wrote\(^{14}\) to the Chair of the Migration Advisory Committee (MAC) on 27 July asking the MAC to assess the role EU nationals play in our economy and society, and the impacts of Brexit on the UK’s labour market and how a UK immigration system should be aligned with a modern industrial strategy. The MAC will submit a final report in September 2018 and may publish interim reports. It issued a call for evidence in August.\(^{15}\) The MAC’s advice will inform the Government’s approach.

The Mayor welcomed the MAC commission but considered that it came somewhat late in the day, given that the UK is expected to leave EU membership on 30 March 2019. The Government should have acted sooner to take advice from the MAC. The Mayor will be submitting evidence to the MAC as part of its commission.

The Mayor is clear that maintaining the UK’s membership of the Single Market and developing a more flexible approach to skilled and talented non-EU migration are not mutually exclusive. As the UK seeks to develop its global trading relationships more formally, the Government needs to urgently indicate, as the Mayor has done for London, that we are open to business investment and talent. A clear signal of the UK’s global ambition would be to begin reforming the UK’s visa system so that it better enables non-EU entrepreneurs, students, highly skilled workers and talented freelancers to come here.

EU Nationals in London

The Mayor believes that the Government’s failure to guarantee the long-term right of EU nationals to remain in London has caused unnecessary anxiety and has damaged the confidence of London-based talent and businesses. This uncertainty damages the UK’s prospects of retaining its global reputation and competitiveness. Many global businesses with London bases have expressed deep concerns to the Mayor and have made clear that this is a crucial issue for many companies.

The Government has set out its position on the status of EU nationals in the UK (and UK nationals in the EU 27).\(^{16}\) This makes clear that the Government’s intention is for EU nationals in the UK to be able to apply for settled status. However, it is not a guarantee of long-term residency. This in turn undermines the position of UK nationals in EU 27 member states who could see their rights limited to their country of residency and not enjoy the fuller freedoms enjoyed by their neighbours and colleagues.

The Government’s proposals introduce additional bureaucracy and uncertainty and represent an unacceptable weakening of the rights of around 1 million Londoners born in other EU countries. This would mean that EU nationals in the UK at the time when the new proposed rules apply will be in

\(^{14}\) Home Secretary letter to Professor Alan Manning dated 27 July 2017
different positions: some will have completed the 5 years and have the relevant documents to apply for settled status, although others may not have the necessary evidence, depending on the level at which this is set; some will not have 5 years at the end of the two year grace period (i.e., 2 years after the withdrawal or other relevant date); students completing their course after the UK has withdrawn but during the grace period are also in an uncertain category. People will fall in between the gaps of transitioning from one status to the next and there are likely to be legal test cases to clarify a person’s position. In addition, a person qualifying for settled status before withdrawal will have family rights which are not automatically available to someone qualifying the day after withdrawal.

Employers will face added complexity in judging if a person has permission to work in the UK. There will always be gaps in a person applying for settled status/further leave, a person’s current leave ending and the Home Office’s decision. For example, an employer will need to differentiate between an EEA national who is eligible but has not yet obtained settled status and a post-Brexit arrival who will be in a different position. The two year grace period following the withdrawal/relevant date will soon run out. Employers need clarity that their current EU staff and those recruited before the UK leaves, will be able to stay long-term with continual permission to work.

The Mayor recognises the need for certainty so that people can get on with their lives – remaining in the Single Market enables this to happen. This also gives business and investors confidence in London and the UK.

**Implementation Period**

The Mayor has consistently argued that the UK should not reject ongoing membership of the Single Market, although he recognises that once the UK has left the EU, the model of Single Market membership it would retain is unlikely to be identical to that which we have now. The Mayor believes that during the implementation period, when the UK will agree its long-term relationship with the EU, we should retain as closely as possible the current conditions to provide ongoing certainty for Londoners and businesses. The Mayor welcomes the Prime Minister’s position outlined in the Florence speech which seemed to be in line with his view. However, although this would avoid the cliff edge of 31 March 2019, it could simply postpone it to a future date. The Government needs to adopt a more creative approach to negotiating the long-term agreement with the EU.

**UK’s non-EEA national visa system reform**

The Mayor believes in a robustly managed migration system, and strong borders, with national security as the first priority. This is a given and should always be central to any government’s approach. Within such a framework, the UK’s work visa system should be reformed, with economic need placed ahead of narrow political motives.

The Mayor welcomes the Home Secretary’s commitment to evidence-based reform of the UK’s visa system. Freedom of movement has been an important part of London’s economic success. As a service-based, knowledge economy, a key strength of the current relationship as an EU member is the mobility of skilled, talented and entrepreneurial individuals.

London has attracted significant numbers who work as freelance and self-employed in the creative industries, technology and a range of other sectors. It has also allowed firms to recruit or contract individuals quickly, as and when they need. This is a key feature of start-ups and fast growth.

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18 As set out in her letter to the Chair of the Migration Advisory Committee https://www.gov.uk/government/publications/commissioning-letter-to-the-migration-advisory-committee
companies, for example, who may need an individual with a very specific and highly prized skill without delay and often on a short-term basis at a certain stage of their business’ growth.

The Single Market approach favours the type of people London wants to attract – skilled and talented, and who are also often mobile and able to relocate quickly. The current visa system for non-EU nationals will find this type of migration difficult to accommodate. It is largely based around employer sponsorship and requires employers to register and navigate a complex compliance system which takes time. GLA-commissioned research found that where SMEs are registering to sponsor, many are paying for legal advice in order to ensure compliance and often experience additional costs (for example, in the time it takes).

The visa system does include non-sponsored routes (e.g., Tier 1) but the criteria for entry are focused on exceptionally talented individuals or entrepreneurs with capital. As a result, the numbers are small to date.

London’s economy has significant agglomeration strengths – that is the clustering of diverse but complementary organisations, capital, expertise and talent that delivers efficiencies, higher productivity and innovation. This relies, in part, on the build-up of talent – allowing business to find the skills and expertise they need. This is a more organic approach to economic growth, enabling companies and entrepreneurs to take advantage of a talented, skilled and fluid labour market.

If the UK chose to combine EEA and non-EEA economic migration into a single visa system, it is doubtful that this would allow for the flexibility to ensure London’s competitiveness. The current non-EEA visa system, in the main, requires employers to take on considerable responsibility in sponsoring workers. A single visa system would require employers to take on a significant amount of additional compliance and costs, many for the first time as sponsors. The level of compliance required of employers registered as sponsors restricts the ability of firms to react quickly and opportunistically – key features of project-based work (e.g., film and design), disruptive technologies and start-up cultures; non-sponsored routes require extensive pre-entry evidence and checks. It would need significant reform to support London’s innovation ecosystem – allowing talent to move reasonably freely and not to burden SMEs with immigration compliance.

The start-up culture of London is part of its global reputation and attraction to entrepreneurial talent. It is already restricted by capital and job creation requirements of the Tier 1 entrepreneur routes. Starts-ups and SMEs may find it more difficult to meet the current salary requirement for Tier 2 in order to recruit from outside the EEA. The £30,000 threshold limits the types of jobs to which people can be recruited. This may be realistic once the business is on a firmer footing, but the initial start-up and scale-up offer may include benefits beyond a particular salary level (e.g., equity stake, prospective of future salary). The current salary threshold would also apply to a range of supposedly lower skilled, but social and economically important roles, such as social care and hospitality, where EEA nationals make a significant contribution.

2. Regionalisation – a solution for London?

One option that has been proposed - regionalisation of visas – aims to allow areas of the UK to shape an approach to migration around their economic and social needs. The City of London/PwC and the London Chamber of Commerce and Industry published reports last year on how regionalisation might

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be developed. These were useful contributions in starting a wider discussion on how London, and other areas of the country, can remain open to talent and skills.

Regionalisation has an intuitive appeal, given the economic, demographic and political diversity of the UK. It is also practised in some countries. Although limited, forms of regionalisation are already part of the UK’s visa system. For example, Scotland has its own Shortage Occupation List, and although the numbers of occupations and visas covered are small, this can bring targeted benefit to key sectors. For example, as part of the Tier 1 Exceptional Talent route applications to work in Tech North can be fast-tracked.

A regional visa allocation system would likely need to satisfy two key criteria: a regional body taking on responsibility for granting or recommending visas; and forms of compliance to ensure the recipient was working (primarily) in the region. This would naturally pose challenges under current arrangements for regional governance in England – not least where physical and economic geographies of London and the surrounding regions overlap. It would suggest a need for greater control of key levers for regional economic growth (eg tax powers, skills policy, expanded borrowing powers).

The Mayor’s starting point is that a national approach is good for UK economic growth – whether in London or other parts of the country: it allows business to operate nationally and does not add further to the complexity of compliance requirements. The Government’s first priority therefore should be the creation of a UK visa system that responds to demand and meets the skills needs of businesses of all sizes – for example, broader opportunities for non-EU freelance and entrepreneurs and avoid caps on economic migration (eg the Tier 2 annual 20,700 limits); and takes account of regional variations – for example, concentrations of skill shortages. However, if the Government is unable to develop a responsive and flexible system for the UK as a whole, one that is adequate to the needs of London business and the city’s global competitiveness, then a regional approach may become necessary.

3. Long-term reforms: UK/EU relations

Freedom of Movement of Labour
The Mayor believes that Single Market membership and freedom of movement of people, goods, services and capital is in London, the UK and the EU’s best interests. Negotiating continued membership of the Single Market should be the priority of the implementation period. The Mayor is disappointed that the Government has ruled out remaining in the Single Market. He recognises that in parts of the country there are public concerns around the retention of freedom of movement. However, there are examples which show there is scope for flexibility and that freedom of movement of people is not unqualified.

- At present EU nationals in the UK who are not exercising their Treaty rights after 3 months can be removed.

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22 For example, Australia and Canada – see PwC/City of London (October 2016), Appendix A

23 After 3 months, or at any time during this period, EU citizens can exercise Treaty rights to remain in the UK if they are employed, self-employed, self-sufficient, students or a job seeker. The UK is already able to remove people who do not comply with this after 3 months.
• Under the current EEA Agreement, there are opportunities to allow for temporary labour market measures to address ‘serious economic, societal or environmental difficulties of a sectoral or regional nature’. This could include work permits for certain sectors or low skilled occupations.

• The UK/EU agreement pre-referendum allowed for the use of certain additional restrictions on the free movement of labour. This recognised that the UK labour market had reached a point where certain safeguarding measures (the ‘emergency brake’) were justified. The European Council proposed an amendment which focused on new claims for in-work benefits.

These options are all available as a member of the EU (or for members of the EEA) and are not exhaustive. The Government could, if it chose, adopt a more creative approach to negotiating the UK’s future relationship with the EU in this area – a point the Prime Minister was keen to emphasise in her Florence speech. This should not exclude continued membership of the Single Market.

The future status of EU nationals
It is welcome that the Government is at last thinking through the implications on EU nationals in the UK and UK nationals in the EU. However, as stated above, the Government’s proposals have come far later than they should have and do not provide the certainty that EU nationals living in London or the rest of the UK require and deserve.

The process followed for EU nationals in the UK needs to be part of what we want from a final agreement on our future relationship with the EU. At present, the Government does not have an agreed final position. This creates uncertainty not just for EU nationals in the UK (and UK nationals in the EU) but also for business, investors, public services, schools and universities, etc.

The Mayor believes that the rights of EU nationals in the UK need to be respected. The ‘relevant date’ the Government uses for recognising the rights of EU nationals to remain in the UK permanently should not be earlier than the formal end of the implementation period. The Government needs to make this clear as soon as possible and set up a simple and comprehensive process for confirming their status. The UK’s position should continue to be in support of EU nationals living and working in the UK long term.

Higher education
London higher education institutions (HEIs) are among the best in the world. The capital has four universities ranked in the global top 40 – two in the top 10. London’s specialist colleges – in arts, music, design and business – are international leaders. They are a vital part of London’s productive and innovative knowledge economy and an important reason for global investors and businesses choosing the UK.

24 Article 112, EEA Agreement
25 Provision for the use of safeguarding measures in exceptional circumstances are in the EEA Agreement (Articles 112 and 113).
26 European Council meeting (18-19 February 2016) – Conclusions
27 ibid
EU nationals are an important part of London’s HEIs: around 17 per cent of London HEI staff, \(^{28}\) 7.5 per cent (23 per cent UK total)\(^{29}\) of undergraduates and 12.3 per cent (32 per cent UK total) of postgraduates. \(^{30}\) The Government needs to maintain flexibility so that EU students and research talent continue to come here. The Mayor believes that EU nationals should continue to have home student status as part of the UK remaining in the Single Market (and the same for UK nationals in EU member states). An ongoing commitment to the Erasmus programme would also be in the best interests of both the UK and EU member states. As noted by the British Council, research by Chatham House found that the English language, education and culture are the top three factors in supporting the UK’s overseas reputation - demonstrating a clear correlation between increased levels of trust in a country and an increase in a person’s inclination to do business with, study in or visit that country. \(^{31}\)

The Mayor has also urged the Government to commit the UK to participation in European research networks, beyond the current Horizon 2020 programme, and including the prestigious European Research Council (ERC) grants. European funding and the collaborations it enables, are important to London’s research base. In terms of research funding \(^{32}\) the UK has been the largest recipient of EU research funds granted to higher education institutions. The UK also performs strongly in regard to ERC grants. The UK has more ERC grant-funded projects at its higher education institutions (HEIs) than any other participating country.

**4. Longer term reform: The Rest of the World**

**Global skills and talent**

A key argument in this paper is that while the Single Market remains a priority for London, this should not mean the UK restricts non-EU workers and students in order to reduce net migration. The Mayor believes we need a two-track flexible approach: Single Market for EEA nationals; a visa system for non-EU nationals that welcomes skilled and talented people. A single visa system applying the same criteria to EU and non-EU nationals is unlikely to deliver the same levels of innovation and growth. For example, a single visa system would find it difficult to accommodate the range of freelance, self-employment and entrepreneurship that characterises many of London’s sectors or the transfer of professional and vocational qualifications. These are both key aspects of Single Market membership and enable a knowledge economy, such as London’s, to thrive.

However, a two-track approach of remaining in the Single Market and a separate visa system for non-EU migration should not lead to bearing down on the latter to achieve a random target. If the UK is going to pursue ambitious trading agreements across the world, then we will need to allow greater flexibility for non-EU workers, students, entrepreneurs and investors. This should include the following:

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\(^{28}\) UK-wide, 10.7% of all staff (academic and non-academic) are EU nationals. These are 43,015 people. At London institutions, 17% of staff have EU nationality. These are 12,475 people. The percentage of London-based EU staff out of all EU staff at UK institutions is 29%. *Of the 107,960 international students studying in London, 34,760 (32%) are from EU countries* 

\(^{29}\) London’s share of EU national students studying in the UK. 

\(^{30}\) Based on HESA student record data, 2014/15 


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Tier 2 annual limit
The Mayor does not agree with the current annual limit on skilled non-EU workers to the UK of 20,700. The cap has already been breached since its introduction and there is a clear reputational risk to London and the UK in having it: we are, in effect, stating that this is the limit to skilled non-EU migration, independent of the skills gaps and job vacancies. Removing it, or increasing it significantly, would send a positive message that the UK is open for business. More significantly, if, contrary to the Mayor’s position, the Government imposed restrictions on freedom of movement, the cap would further restrict London and the UK’s access to skills and talent, including in key public services, creating a major brake on growth. This would have lasting damage to our economy and global competitiveness.

Tier 1 Exceptional Talent and Promise
The Government’s aim behind the Exceptional Talent was well-intentioned – to ensure that leading professionals, particularly academics, could continue to enter the UK without being sponsored and work freely. At present, the criteria is set for the exceptional and so the bar is exceptionally high. As a result, numbers to date have been low. The Mayor believes the principle of welcoming talent to the UK is the right one. However, there needs to be more opportunities for gifted artists, researchers, tech and creative freelancers and entrepreneurs, including those at an early stage of their careers, to move to the UK. London has shown the value of such an approach with its world leading creative, tech and life science sectors which have grown significantly during the time of EU freedom of movement. Tier 1 offers that opportunity and could bring together the relevant professional bodies, the British Council, universities, business groups and investors, etc., to establish a broader programme for non-EU talent.

Higher education: International (non-EU) students and academics
Higher education is one of London and the UK’s great exports. London welcomes over 100,000 international students each year, more than any other city in the world. Each one is a service export and, overall, the sector raises around £3 billion net per year. However, the main value of international students is to London and the UK’s wider reputation as a place for innovation, research and connectedness. Studying in London is much more than getting a degree: it connects you with ideas, people and networks from around the world which stay with you for life. Very few cities can do this at the level of London. As a result, we should adopt policies to boost our higher education exports and support our universities to compete in what is an increasingly challenging market. A key policy is setting out clear post study work opportunities for international students during the recruitment phase (ie before they have chosen the UK). We know that for certain nationals (eg. India), the ability to work after graduating is important. The number of Indian students choosing to study in London

33 Tier 2 criteria includes a salary threshold of £30,000 and the occupation minimum skill level at NQF 6 (Bachelor level).
34 In June 2015
35 Following the closure of the Tier 1 Highly Skilled Migrants programme in 2011
36 For example, that an applicant has been awarded a prestigious internationally recognised prize (Talent) or research award/prize (Promise) in your area of expertise.
37 For example, of the Tier 1 visas granted in the year ending March 2017, only 501 (11%) were for Exceptional Talent visas (including dependants). While this was higher than in the year previous, it remains below the annual number of places available (1,000). Source: Home Office (2017) Immigration Statistics January to March 2017
38 For example, around 28% of jobs in the Creative Economy in London are self-employed status.
and the UK declined significantly since the Tier 1 post study work opportunity was removed. This came at a time of burgeoning demand for higher education in India.

The Mayor welcomes the Home Secretary’s commissioning of the Migration Advisory Committee to assess the impact of international students. The context for this is the value of international students: The Government strongly wishes to continue to attract international students to study in the UK. We recognise that they enhance our educational institutions both financially and culturally; they enrich the experience of domestic students; and they become important ambassadors for the United Kingdom in later life.

The Mayor believes the government should remove international students from its annual net migration target. The target is based on the assumption that international students are long-term migrants. This is not the case. The Home Office has found that most students do not overstay after their studies. There is no clear rationale for including them in the target. Although there is currently no annual limit on the number of international students coming to the UK to study (unlike, for example, the Tier 2 and skilled workers), their inclusion in the target increases uncertainty around future policy. In doing so, it politicises and restricts a key export opportunity. Our universities are working hard to remain competitive, but are continually coming up against negative headlines as students get caught up in the drive to reduce net migration.

There are opportunities for international students to work in the UK after graduating. However, these provide no guarantees that universities can offer prospective students during recruitment periods. This is in contrast to a number of other countries which have post study work policies in place. The Government states that students can work after graduating by applying for work with a Tier 2 sponsor and, if successful, they do not contribute to the annual 20,700 limit. However, this misses the wider context – the intensive competition for international students. Post study work policies have been adopted by other countries as they strengthen the competitiveness of their universities in international student recruitment. The UK’s current policy of a Tier 2 visa is dependent on a number of variables – eg getting a job offer with a Tier 2 sponsor before the student (Tier 4) visa runs out. In today’s international student market, this is not good enough. In London, with its vibrant start-up and SME culture, it also means businesses often miss out on international student talent - Tier 2 sponsors are more likely to be larger, more established companies.

There are clear benefits in establishing a post study work route outside of Tier 2: it strengthens our universities during international student recruitment drives; local economies benefit from international student fees and wider spend; the UK is able to take advantage of the skills and fiscal contributions of international graduates. The Mayor recommends the Government assesses the value of:

- **Post study work policy**: opportunities for international students to work after graduation for 12–24 months through HEI endorsement. This would be a Tier 1 scheme, distinct from Tier 2 routes, to support start-ups, SMEs and other organisations that may not have existing capacity for formal sponsorship.

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39 HESA Student Record data 2015-16. Indian student numbers in London have declined from 6,900 (200910) to around 4,700 (2015/16)
41 ibid
• **Tier 2 salary threshold**\(^\text{43}\) exemption: this would be for PhD level and above positions and help to target early stage researchers, in particular.

• **A wider recognition of academic awards/grants**: building on the Tier 1 Exceptional Talent and Promise routes to provide opportunities for academics awarded research grants to move to the UK.

### Enterprise and investment

The Mayor believes more can be done to encourage international entrepreneurs, scale ups and investors to establish businesses in the UK. This could see accelerator, incubator and certain work space providers developing a wider role in providing visa endorsements. At present, the capital requirements for Tier 1 Entrepreneurs\(^\text{44}\) do not reflect the stages of start-up growth. A more open approach is needed, one that allows lower capital requirements but where a ‘3rd party’ endorsement provides confidence in the business plan and entrepreneur’s potential. The same is true for the job creation requirement. Instead, there should be an increased focus on the disruptive and innovation potential of the business.

### 5. Conclusion

The Mayor welcomes signs that many senior members of the Government have recognised that a hard Brexit is not in London or the UK’s interests. Neither does the threat to reshape the UK around a low tax economy lend itself to supporting a high value, innovative, knowledge economy like London’s. Doing so requires investment in quality infrastructure, skills training and public services.

The capital’s success is based on its openness – to people, trade and ideas. London has responded to globalisation and made use of its competitive advantage in a number of specialisms. It is the world’s leading city for business and culture and is a major asset for the whole of the UK. London’s agglomeration enables innovation, market opportunities and business growth at a rate that many cities cannot match. However, London’s international competitiveness cannot be taken for granted. There are already clear signs of other European cities adopting strategies to benefit from the UK’s planned departure from the EU – for example, Dublin and Frankfurt as the choice of relocating a number of financial service jobs. The UK’s future approach to migration will be a key determinant in whether London remains at the top, or loses investment to New York, Singapore and Paris.

The Mayor is clear: London, and the UK, is best served by remaining in the Single Market. This approach has served the capital and country well. This is not to say it needs to be the same as EU membership. There are opportunities under existing to qualify freedom of movement of people which to date the Government has not sought to apply, and further qualifications can be sought in order to manage immigration from the EU and meet the legitimate concerns that have been expressed in parts of the country.

While the Mayor believes that London’s, and the UK’s future, remains close to Europe, leaving the EU means that our global trading relationships will change. This is one reason why the Government needs to revise parts of the current visa system now. Some countries will take a more sceptical approach to the UK’s global ambitions if non-EU migration remains subject to political judgements, rather than responsive to economic demand. The options outlined above are steps the Government could take in order to reinforce that London is open and the UK is an attractive place for talent and investment.

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\(^{43}\) Currently set at £30,000

\(^{44}\) Includes: £50,000 through government funding or VC; £200,000 own funding. A business also needs to create two new UK jobs in order to extend the visa. [https://www.gov.uk/tier-1-entrepreneur](https://www.gov.uk/tier-1-entrepreneur)
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Chinese
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Vietnamese
Nếu bạn muốn có bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Greek
Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish
Bu belgenin kendi dilinize çeviri olup olmadığını öğrenmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

Punjabi
मे जूनी दिन समान्त्रि की ज्यों जुँकी अपनी ब्राम्ब विजय स्तरीमी है। अब रेत हिम लाऊँ दे ब्राम्ब जो भी रेत हिम रहो पहर उखड़ जोँ हे एक्रा जोँ हे।