

Response to Inquiry into the closure of the Post Study Work (PSW) route

Submission to the All Party Parliamentary Group on Migration

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techUK welcomes the opportunity to respond to the 'Parliamentary inquiry into the closure of the Post Study Work (PSW) route' by the All Party Parliamentary Group on Migration. techUK are available to answer any further questions that the APPG may have in addition to what is written herein.

About techUK

techUK represents the companies and technologies that are defining today the world that we will live in tomorrow. More than 860 companies are members of techUK. Collectively they employ more than 500,000 people, about half of all tech sector jobs in the UK. These companies range from leading FTSE 100 companies to new innovative start-ups. The majority of our members are small and medium sized businesses.

Introduction

The technology sector contributes not only to employment and GDP – it is also understood as a powerful sector in innovating solutions to the pressing social and economic challenges of our time. Strengthening the UK's technology sector is inextricably linked to advancing public health, access to education, economic stability and many more issues that are of interest to all.

In techUK's recently launched publication '*Securing our digital future: The techUK manifesto for growth and jobs 2015-2020*'¹, techUK called for the next 2015 government to meet four headline objectives:

1. Ensure digital strategy and leadership to deliver success
2. Secure the UK's position as a global leader in the production and use of tech
3. Harness the transformational power of tech across the public sector
4. Ensure our digital world is safe and inclusive for all

An essential part of achieving objective 2, techUK argue, is a 'Smart migration' policy. techUK recommend that a 'Smart migration' approach would begin with the following:

- [Reinstitute the two year Post Study Work visa](#)
- Remove caps on graduate entrepreneur visas
- Remove the higher salary threshold from Tier 2 skilled migrant visas
- Extend the Tier 1 Exceptional Talent Visa beyond start ups and increase scale and reach across the UK

¹ techUK (September 2014) *Securing our digital future: The techUK manifesto for growth and jobs 2015-2020*. Retrieved from <http://www.techuk.org/techukmanifesto>

A number of techUK members indicate that the technology sector has suffered from the closure of the Post Work Study (PSW) visa route. The tier 1 visas for 'exceptional talent' or the graduate entrepreneur visa are welcome government efforts to facilitate the entry of talent into the UK tech sector. However, these visas are targeted at very specific types of roles which are not applicable to significant parts of the UK tech industry.

Question 1: Have there been any impacts on international student numbers or demographic profile as a result of the closure of the PSW route?

There are a number of official bodies which track the number of international students and their impact in the UK, such as the Office for National Statistics and the Higher Education Statistics Agency, as well as non-governmental institutions such as Ipsos MORI and the Institute for Public Policy Research (IPPR). techUK herein highlight a number of statistics that are informative to this debate.

Decline in number of non-EEA students

A report from the Office for National Statistics showed a 9% drop of visas issued for the purpose of study in the year to March 2013 compared to the previous year.² Student immigration to the UK from non-EEA countries³ 'remained stable' at this lower level in the year to March 2014.⁴ The number of international students entering higher education in particular has continued to grow since 2010. However since the closure of the PSW route, this growth has been stifled at 2-3% in the years to 2012 and to 2013, compared to the average annual growth rate of 6.3% between 2007/08 and 2010/11.⁵

A survey by Ipsos MORI for the IPPR suggests that this drop is linked to the closure of the PSW route: the survey found that 91% of prospective Indian students thought the UK government restricting the right of students to work in the UK after completing their studies would put off either 'most' or 'some'

² Office for National Statistics. The Migration Statistics Quarterly Report, May 2013. Retrieved from <http://www.ons.gov.uk/ons/rel/migration1/migration-statistics-quarterly-report/may-2013/msqr-may13.html>

³ Students from outside the European Economic Association have to obtain visas to immigrate to the UK. EEA nationals do not have to obtain visas to work or study in the UK, and therefore are not affected by the closure of the PSW route.

⁴ Office for National Statistics. The Migration Statistics Quarterly Report, May 2014. Retrieved from <http://www.ons.gov.uk/ons/rel/migration1/migration-statistics-quarterly-report/may-2014/index.html>

⁵ Institute for Public Policy Research, 11/2013. 'Britain Wants You'. Retrieved from http://www.ippr.org/assets/media/images/media/files/publication/2013/11/Britain-wants-you_Nov2013_11534.pdf

students.⁶ Similarly, Oxford Professor Andrew Hamilton recently stated that 'for the first time in decades, the number of international students at our universities has dropped, most markedly from India'. He, too, attributed responsibility for this to recent changes in immigration policy.⁷

Less applicants to STEM subjects

The decrease of non-EEA students coming to the UK has led to fewer applicants to STEM subjects in UK higher education. A report by the IPPR states that international students are concentrated in particular subjects – especially business or science, technology, engineering and maths (STEM). One techUK member company affirmed that the 'PSW attracted many overseas students to take up STEM courses in the UK, which led to fill the skills gaps in the labour market'. Skilled graduates of these subjects are essential for the growing technology sector.

Question 2: Have there been any impacts on businesses or universities through the closure of the PSW route?

The closure of the PSW route has had a negative impact on the tech industry by limiting and deterring the immigration of non-EEA tech talent to the UK. Whilst it is difficult to measure direct and indirect causation, we know that recruitment demands cannot be met without non-EEA recruits, and alternative visa routes are insufficient to enable the necessary talent flow to the UK. The closure of the PSW route thus reinforced a skills shortage, which techUK believes stifles the growth of UK technology companies.

e-skills UK research shows that 120,000 new recruits a year are needed for IT specialist jobs in the UK⁸, while Baroness Martha Lane-Fox states that 1 million new tech jobs will be created by 2020.⁹ Almost 44% of UK tech firms plan to hire more staff over year ahead, with only 7% expecting a fall in staff numbers.¹⁰

⁶ Ibid.

⁷ Burns, J. 7.10.2014 'Harmful' UK student visa policy 'baffles' top academic' Retrieved from <http://www.bbc.co.uk/news/education-29522229>

⁸ Eddie Copeland and Cameron Scott, Policy Exchange. (August 2014). Silicon Cities; Supporting the development of tech clusters outside London and the South East of England. Retrieved from <http://www.policyexchange.org.uk/images/publications/silicon%20cities.pdf>

⁹ Baroness Martha Lane-Fox (January 2014) Maiden speech in the House of Lords. Retrieved from <http://marthalanefoxblog.wordpress.com/2014/01/16/25th-anniversary-of-the-world-wide-web/>

¹⁰ KPMG report 4/2013. Retrieved from <http://www.kpmg.com/uk/en/issuesandinsights/articlespublications/newsreleases/pages/uk-tech-sector-records-best-growth-performance-for-almost-a-decade-according-to-kpmg-markit-tech-monitor-uk-report.aspx>

Future recruitment demands cannot be met without non-EEA recruits as the UK is experiencing a skills shortage in home-grown talent. European Commission research suggests that the skills gap is larger in the UK than anywhere else in the EU.¹¹ As a result, foreigners are needed in the tech sector, and 'a lack of skills and challenging immigration legislation is inhibiting growth in the capital and threatening London's position as a global technology hub', explains founder of Tech London Advocates Russ Shaw.¹² Evidence for a shortage of STEM skilled workers in particular accumulates as 'reports continue to suggest that employers are struggling to find staff with the right skills, particularly in engineering, science and technology', according to the Squire Patton Boggs' UK Business Immigration Team.¹³

The PSW route is not the only, but a particularly efficient channel for tech firms to recruit skilled staff. One techUK member stated they would 'welcome the opportunity to consider this hiring channel if the scheme were to continue', and another said the 'PSW route was a very effective program to get bright talent into the UK who were readily available for hiring and trainings.' The closure of the PSW route has hindered the tech sector in accessing the global talent pool, thus disadvantaging the UK technology industry competing in a global race.

This skills shortage additionally affects actual and potential high-growth firms who want to expand but lack access to more skilled employees. Recent visa efforts have succeeded in attracting non-EEA entrepreneurs, but a shortage remains in prospective employees for the tech sector. This is a hindering effect on scaling-up a tech company.

It should be noted that the current government has made a number of new visa interventions, and those are broadly to be welcomed. techUK welcomed Tier 1 visa initiatives such as the Exceptional Talent visa and the Graduate Entrepreneur visa, but these visa efforts alone do not solve the employee shortage in the tech sector. A 'smart migration' policy needs to think beyond start-ups and entrepreneurs and look to the whole lifecycle of the firm as it grows. There are a number of reasons why alternatives to the PSW visa whilst welcome are not sufficient to overcome issues from closing the PSW visa:

¹¹ European Commission (2014) Does digital technology create or kill jobs?

¹² TechCityInsider.net 22.4.2014. 'Talent crunch 'blocks tech business growth'. Retrieved from <http://www.techcityinsider.net/skills-and-immigration-block-tech-business-growth/>

¹³ Squire Patton Boggs. 'Has the closure of the Tier 1 (Post Study Work) visa category been detrimental to your business? – a survey launch', August 2014. <http://www.squiresanders.com/has-the-closure-of-the-tier-1-post-study-work-visa-category-been-detrimental-to-your-business/>

- The **Graduate Entrepreneur visa**¹⁴ is arguably focussed on forging a start-up culture in London and the Southeast, and has been successful in this. However, the tech industry ecosystem needs more than entrepreneurs; it needs start-ups to become growing and lasting companies.
- Likewise, the **Exceptional Talent visa**¹⁵ is a welcome effort strengthening the tech sector as it invites outstanding talent to the UK. However the small number of visas available make it an unfeasible method to tackle the large-scale shortages faced by the sector.
- Finally, the option of switching from the **Student visa to Tier 2 visas**¹⁶ is not an equally accessible route to non-EEA talent as the PSW route. Satisfying the conditions for this visa – namely, finding employment with a registered sponsor who can provide a salary of minimum £20,500 in a short timescale of two months after graduating – is significantly more difficult than the PSW route.

The inaccessibility of visas to foreign talent means that less UK-educated foreign talent is permitted to stay for graduate employment.

The closure of the PSW visa route further affects UK businesses indirectly: it sends an international message deterring non-EEA students who seek to work abroad after terminating their studies. The effect of international perceptions is already leading to a drop in non-EEA job applicants in the UK. The Times Higher Education and IPPR have both highlighted case studies of Indian prospective students who stated they would pursue higher education in the UK, if the PSW visa route was reopened.¹⁷ This in turn indicates that the closure of the PSW visa deters non-EEA students who have the ambition of later on working in the country where they pursue higher education. As a result, the closure of the PSW visa route reinforces the skills shortage in the tech sector, as it reduces the number of non-EEA talent in the UK seeking employment after their studies.

¹⁴ Details on the workings of the Graduate Entrepreneur visa. Retrieved from <https://www.gov.uk/tier-1-graduate-entrepreneur-visa/overview>

¹⁵ Details on the workings of the Exceptional Talent visa. Retrieved from <https://www.gov.uk/tier-1-exceptional-talent/overview>

¹⁶ Details on the workings of the Tier 2 visas. Retrieved from <https://www.gov.uk/tier-2-general/overview>

¹⁷ The Times Higher Education, 17.1.2013. 'UK loses its allure as visa rules deter Indian graduates'. Retrieved from <http://www.timeshighereducation.co.uk/422366.article> and Institute for Public Policy Research, 11/2013. 'Britain Wants You'. Retrieved from http://www.ippr.org/assets/media/images/media/files/publication/2013/11/Britain-wants-you_Nov2013_11534.pdf

Overall, alternative visa routes are not sufficient to ensure the flow of non-EEA talent to the UK. The shortage in non-EEA skilled graduate workers translates to a withdrawal of non-EEA top talent (as well as their financial contribution), in STEM subjects in particular.

Question 3: Have there been any economic or social impacts at local/regional level or nationally?

The closure of the PSW visa has exacerbated a skills shortage in the UK tech sector, which has direct economic implications.

- **Scaling up of growth companies are hindered:** the UK tech ecosystem needs not only the founding of start-ups, but also needs some of these companies to grow. Recent visa regulations cater to entrepreneurs; an additional focus is needed to channel skilled employees into the UK. Reopening the PSW route is a proven and effective way to raise the talent flow into the UK. Thus reinstating the PSW route would facilitate the scaling-up of recently founded start-up companies, thereby stabilising the tech industry overall.
- **Stifling tech growth tangibly harms the UK's GDP:** Constraints on the growth of technology firms affect the UK economy. The technology sector is a growth sector, as identified by the current Government's Industrial Strategy approach.
- **Lost opportunities to create more jobs:** Tech firms in the UK see potential for creating more jobs if they had access to a larger skills base. One techUK member commented that through closing the PSW route, 'there will probably be a lost opportunity to us in terms of creating UK jobs through students we might have considered hiring.'
- **Advantaging the UK's competitors:** Finally, the closure of the PSW visa route means that the UK is effectively 'training our competitors to outcompete us'.¹⁸ With four out of the global top ten universities, the UK is renowned for its higher education.¹⁹ This gives the UK the rare opportunity to educate and subsequently employ top talent – and the PSW visa is suited to ensure the flow of tech talent into the technology

¹⁸ Antony Walker, 29.7.2014. Oral evidence to Lords' Select Committee on Digital Skills. 'UK must become global hub for talent, says techUK' Retrieved from <https://www.techuk.org/insights/news/item/1945-uk-must-become-hub-for-global-talent-says-techuk>

¹⁹ QS World University rankings 2014/15. Retrieved from [http://www.topuniversities.com/university-rankings/world-university-rankings/2014#sorting=rank+region="+country="+faculty="+stars=false+search="](http://www.topuniversities.com/university-rankings/world-university-rankings/2014#sorting=rank+region=)

sector. The closure of this visa reduces possibilities for non-EEA talent to work in the UK. Non-EEA students educated in the UK face harsher immigration conditions for graduate work and thus increasingly immigrate to other countries. As a result, the UK educates STEM skilled graduates who then enter employment in competing economies.

Question 4: How has the closure of the PSW route been viewed internationally? Has it had any implications for foreign trade and commerce or wider diplomatic relations?

A 2014 LinkedIn analysis of its membership relocations suggests that the cities attracting most workers with tech skills were in India, the United States and Australia. Berlin, Montreal, and Toronto also ranked above London. Even the United States, despite its heated immigration debate, upholds its visa regulation equivalent to Britain's post-study visas.²⁰ Foreign students completing a degree in the United States are eligible for a 12 month work visa under the 'Optional Practical Training' scheme, even when they have not secured a job yet.²¹ Similarly in Germany, non-EEA nationals who complete a degree at a national university are entitled to stay in the country seeking work for up to 18 months.²²

Overall, the UK's post-study work offer is weaker than some of its major competitor countries.²³ The UK tech sector therefore is comparatively disadvantaged by strict visa regulations affecting the migration of tech talent.

²⁰ Reuters citing LinkedIn. Reuters, 17.9.2014. 'Insight -London's young techs find anti-immigrant mood a drag'. Retrieved from <http://www.reuters.com/article/2014/09/17/us-europe-startups-britain-insight-idUSKBN0HC0UL20140917>

²¹ US Citizen and Immigration Services on the OPT programme. Retrieved from <http://www.uscis.gov/eir/visa-guide/f-1-opt-optional-practical-training/f-1-optional-practical-training-opt>

²² German Academic Exchange Service (DAAD). Retrieved from <https://www.daad.de/deutschland/in-deutschland/arbeit/en/12362-embarking-on-your-career-after-studying/>

²³ Institute for Public Policy Research, 11/2013. 'Britain Wants You'. Retrieved from http://www.ippr.org/assets/media/images/media/files/publication/2013/11/Britain-wants-you_Nov2013_11534.pdf

Recommendations from techUK

Alleviate the immediate skills shortage through reinstating the PSW route

The skills gap in the UK means that non-EEA talent must be attracted in order to serve the immediate employment demands of the tech sector. Whilst long-term efforts should be channelled into educating IT specialists in the UK, strengthening the UK tech sector in the immediate future requires attracting non-EEA talent. Reopening the PSW route is a proven and effective channel to increase the flow of tech skilled workers into the UK.

A wider 'smart migration' policy

techUK has recently launched '*Securing our digital future: The techUK manifesto for growth and jobs 2015-2020*' which called for a more nuanced 'smart migration' policy. The reinstatement of the PSW route would feature in such a solution-oriented immigration policy. Other recommendations are to remove caps on graduate entrepreneur visas, to remove the higher salary threshold from Tier 2 skilled migrant visas (upper cap (£40k)), and to extend the Tier 1 Exceptional Talent Visa beyond start ups and increase scale and reach across the UK. The recommendations can be viewed at www.techuk.org/techukmanifesto.

Concluding remarks

The technology sector is one of the UK's fastest growing industries, and is inextricably interwoven with innovation, the key to ensuring economic growth for the future. Technology serves the UK not solely by providing employment and raising GDP, but also has ever-growing potential to provide solutions to pressing economic and social challenges of our time. Accordingly, techUK urges an immigration environment that gives central importance to the needs of the technology sector.