CITY OF LONDON | THE GLOBAL CITY

EY Building a better working world

# International talent and economic growth:

## Global competition and emerging trends

# Contents

# Foreword

**Chris Hayward**
*Policy Chairman*
*City of London Corporation*

The UK financial services industry is world-leading and globally respected. But in a challenging global environment, and with competition from other financial centres intensifying, we need to collectively ensure its long-term success.

The UK has long been renowned as one of the world's leading financial centres, attracting businesses and workers alike with a mix of unique strengths, not the least of which is its access to deep pools of highly skilled and talented workers. Skilled, multinational and multilingual workers are key to the success of the industry: within financial and professional services, 42% of City workers are international.

The benefits that the UK gains from being a leading financial centre are immense: the industry produced £278bn in economic output, contributed nearly £100bn in taxes, and employs 2.4 million people, two-thirds outside London. The industry is also an enabler of wider economic prosperity, investing in businesses in all sectors across the country so that they can employ more people and achieve their growth ambitions.

This achievement needs continual renewal, especially as other financial centres take steps to catch up with the UK and secure the wide-ranging and significant benefits of being at the forefront of global finance.

To ensure the continued competitiveness of the UK as a financial centre, UK policymakers need to ensure that its businesses enjoy unrivalled access to the most important source of future growth available: the best of global talent. All of our competitor markets are introducing migration policies to drive economic productivity; we cannot afford to wait.

In September 2020, the City of London Corporation and Ernst & Young LLP (EY) produced a report that proposed some reforms that the UK should make to develop a world-class visa regime. A year later, we joined forces with TheCityUK and EY to produce a scorecard on labour mobility that explained which of industry's recommendations had been delivered and noted some areas where further policy reform was needed to ensure the UK's continued competitiveness as a financial centre.[1]

The City of London welcomes this study as it provides updated data and perspective to support the case for driving innovation and competition through access to global talent. There is a need for a clear, coherent and targeted plan for the long-term future of financial services in the UK, giving the confidence needed for CEOs, investors and customers to make long-term decisions. We believe any such plan must include access to global talent, and this report demonstrates why.

# Introduction[1]

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Amid increasing global geopolitical competition in strategic technologies and high-growth sectors, many economies have highlighted global talent as key to economic growth objectives. Competition for global talent remains fierce, and the UK's competitor markets are more active in this space than ever.

Effective global talent policies support and complement domestic labour markets and skills prioritisation, the role of the former being to backfill specific needs in the workforce whilst there is continued investment in the latter.[2] Whilst the prioritisation of domestic skills is critical, global talent can impact the local labour workforce positively by bringing in individuals with skills, qualifications and expertise that complement the skills of the local workforce and, at the same time, improve workforce diversity.[3]

All of the UK's competitor markets in financial and professional services (FPS) are introducing global talent policies aligned with strategic economic objectives to access highly sought-after skills, such as in science, technology, engineering and mathematics (STEM) and in high-growth sectors.[4,5] Some competitor markets are innovating further by leaning into post-pandemic ways of working to access global talent pools, virtually, aligning also to sustainability objectives, whilst simultaneously reducing pressure on migration systems. Others are focused on the global talent pipeline with measures to attract the world's most in-demand young minds.

If the UK is to achieve its growth strategies, it must do so informed by a heightened global competitive landscape.

This report serves to support policymakers in understanding the right framework for the UK to access competitive global talent pools as the need arises, to understand why the system needs to be agile and to suggest ways to facilitate this, informed by competitor measures.

# Executive summary: positioning the UK for growth

## (UK competitiveness on international talent)

Given the acute competition the UK faces for the skills needed to achieve its growth strategy, more can be done to keep up with global competition for the most in-demand skills. International talent in the sector is critical in supporting UK competitiveness, and the competition for this talent is intense.

According to the World Economic Forum, 44% of workers' core skills are expected to change in the next five years.[1] This trend has already started – the new EY European Financial Services AI Survey found that 77% of executives are readying for a significant impact to their workforce and operations as a result of Generative Artificial Intelligence (GenAI).[2] Many countries are experiencing skill gaps as a result: 'By 2030, there will be a global human talent shortage of more than 85 million people', which, unless addressed, will result in almost $8.5 trillion in unrealised annual revenues.[3] The financial services sector in Europe is taking action, and GenAI expenditure is expected to rise in the near future, with 75% of executives planning to raise spending in the upcoming 12 months.[4]

A benchmark of competitor market activity shows intense competition for highly skilled talent, particularly in areas where core skills gaps exist, that are key to FPS goals. At the time of writing, 100% of the UK's competitor markets are revising or introducing innovative international talent policies to support and drive greater economic productivity.

The UK must act quickly to remain relevant in a fast-moving market, but more importantly, with a clear global talent strategy. We outline in this report key recommended actions that the UK should take now to enhance its global positioning:

- Build the UK's brand globally as an attractive destination for global talent.
- Align immigration policies and key routes to a global talent strategy.
- Establish a strategic global talent working group with stronger public-private partnerships and engaging with education sectors to adapt to changing needs. This could sit within the proposed financial and professional services council under the Vision for Economic Growth, and should be adaptable to meet impending green skills challenges.[5]
- Leverage new ways of working to access global skills virtually, building partnerships that enable access to talent leveraging technology and borderless workforces.[6]
- Continue to improve service and trade routes, creating a UK knowledge and support hub to showcase our offer to the world. This could attract an additional £24 billion of FPS exports, £700 million of foreign direct investment (FDI) and 5,000 jobs from FDI by 2030. That means more jobs, more tax receipts, and better services for the UK.
- Promote an evidence and data-based approach to the strategic global talent and productivity discourse.

The above provides an initial set of recommendations to enhance the UK's access to international talent. Specific policy measures are set out in section 8.

# At a glance: global talent competitiveness

*Highly skilled migrants in a capacity constrained, high-value industry like financial services can potentially add to the UK's GDP.* [1]

100%
of the UK's competitor markets* are introducing migration policies **to drive economic productivity**

90%
of the UK's competitor markets* are introducing competitive migration policies **to attract and retain tech talent**

Global talent accounts for approximately
1 in 5
**workers in UK financial services**

In UK fintechs in particular, nearly
half
**of workers** are from overseas

Global talent in the City of London contributes
£34 billion
to the **City of London's GVA****

Global talent in the City of London contributes
£8 billion
through **UK tax contributions****

>75%
of countries will either be **ageing or already aged** by 2050

44%
of workers' core skills are **expected to change** in the next five years

Migrants represent **less than**
4%
of the world's population, yet they produce **nearly 10%** of global GDP

49%
of the **UK's fastest growing businesses** have at least one non-UK-born co-founder

9
of the **UK's 14 start-up unicorns** have at least one non-UK-born co-founder

* Competitor markets are per City of London Corporation definition (France, Germany, Hong Kong, Japan, Singapore, United States).

** 2021: last available full data set.

# Approaches to economic productivity and global talent

*Amid intensifying labour shortages and innovation slowdowns, the value of talent migration is perhaps greater than ever.*[1]

## TALENT MOBILITY AND PRODUCTIVITY: INSIGHTS FROM LITERATURE

Some academic studies over the years have used econometric models to isolate the impact of talent mobility on productivity.

*Most voluntary migrants are working-age adults, a characteristic that helps raise the share of the population that is economically active in destination countries.*[2]

A review of existing literature reveals that workers moving to higher-productivity settings have been shown to increase global GDP, in some cases by 10%.[3] Other studies find a similar positive relationship between immigration and productivity, with the correlation depending on many factors, including the period studied, the countries included, the specific control variables used, the measure of productivity used, the econometric techniques used and whether migrant characteristics such as age and employment status are accounted for.[4,5,6,7]

Several academics estimate that a 1% increase in the migrant share of the working-age population results in a 0.5%-3.0% increase in productivity.

These studies attribute this positive relationship to a variety of factors.

- Migrant population tends to be relatively young, having moved to the host country to leverage economic opportunities.[8] As a result, these individuals' pension and health costs are delayed or not incurred at all if the migrant moves back to their home country.
- Substantial education costs are often avoided since migrants tend to move to the host country at working age, having completed their education in their home country.
- Demographic analyses find that migrants have a comparatively high educational attainment, implying greater productivity (36% of the UK-born adult population have completed a qualification in higher education or equivalent, whereas this number is 63% for European Economic Area (EEA) migrants and 55% for non-EEA migrants).
- Costas-Fernandez (2018) writes that migrants are, on average, around 2.5 times as productive as UK-born workers.[9]

Migration characteristics commonly emerge from research and literature as a key factor for consideration, and the Migration Advisory Committee (MAC) acknowledges that higher-skilled migrants have a positive impact: 'The benefits for existing residents of high-skilled migration seem clear'.[10,11]

When stepping away from direct contributions through GDP and GVA models, which MAC say is a '*difficult statistical exercise*', there is similarly no universally accepted framework around the *holistic, indirect* factors that should be considered in assessing the impact of global talent on productivity.[12] Although the International Forum on Migration Statistics (IFMS 2023) is reviewing this currently, in the absence of clear global norms, there is an opportunity for the UK to set the standard.[13] By doing so, the government can fully measure the impact of global talent on productivity in the UK and take full advantage of global talent with future policy-setting.

That said, there are common themes that emerge from considerable research on the direct and indirect positive impacts of global talent mobility on productivity, not least filing current and future labour shortages and skill gaps, reducing the old-age dependency ratio, increasing the size of the labour force and promoting innovation and growth.[14,15]

*83% of non-migrant residents in the 22 richest OECD countries have experienced net economic gains from migrants.[16]*

Professor Jonathan Portes finds that economies that prioritise migration and the integration of their migrants demonstrate improved outcomes for their economies, society and the immigrants themselves.[17] This manifests in many ways: an overall increase in talent in the workforce; a rebalance of labour-age dependency; a greater diversification of the economy as well as new and improved country-level skills and knowledge. These gains have been found to materialise very quickly, suggesting positive short, medium and long-term impacts.[18]

The United Nations (UN) predicts that in the coming decades, 'migration will be the sole driver of population growth in high-income countries'; migration may be the only way to ensure population stability in advanced economies facing an increasingly ageing population.[19,20]

*Immigrants are over-represented among academics, scientists and entrepreneurs in many high-income OECD countries.[21]*

For example, in the US, immigrants make up roughly 15% of workers but account for 25% of entrepreneurs and 25% of inventors.[22] Research from the National Bureau of Economic Research indicated that immigrants play a crucial role in driving innovation in the United States and contribute to enhancing the innovative capabilities of US nationals.[23]

Harvard Business Review has also studied the impact of immigration on entrepreneurship in the United States and finds that migrants are disproportionally represented among US Nobel Prize winners and patent holders, and in 2018, over half the US start-ups valued at $1 billion or more were founded by at least one immigrant.[24]

*In addition to this, companies started by skilled immigrants in the US tech sector have generated billions in revenue.[25]*


This impact can also be observed on a global scale and in 2022, the American Immigration Council reported that 219 companies on the Fortune 500 list have immigrant roots either by being founded by immigrants or children of immigrants.[26]

*Migrants provide a source of dynamism globally and are overrepresented in innovation and patents, arts and sciences awards, start-ups and successful companies.*[27]

The impact is also observed closer to home – for example, in Scotland, small and medium businesses (SMEs) run by migrants contribute more than £13 billion to the country's economy and provide about 107,000 jobs, according to a report by the Federation of Small Businesses (FSB).[28]

Innovation is one of the most important factors for economic growth. With innovation, the same input generates a greater output and higher productivity.[29]

According to a National Bureau of Economic Research (NBER) study by Harvard and Stanford economists, *'Immigrant inventors are more likely to … contribut(e) to the importation and diffusion of ideas across borders'.*[30]

In a 2020 study based on a 95-country sample spanning several decades, Bahar et al. researched the role migrant inventors have in boosting innovation, as measured by patenting activity. The main results of the study show that migrants – and in particular, migrant inventors – import knowledge that reshapes patenting activity in the destination country, moving it towards new technologies in which the destination country has no prior patenting activity.[31]

## TOWARDS A COMPREHENSIVE FRAMEWORK

*Cross-border migration currently generates an annual economic output of around $9 trillion. This figure could more than double by 2050, to around $20 trillion a year, according to a report from Boston Consulting Group (BCG), in collaboration with the International Organization for Migration (IOM).*[32]

These direct and indirect measures of global talent mobility impact do not yet exist in one comprehensive framework. Yet, when considered together, these factors can help better understand and frame the impact of global talent mobility on productivity, to support more informed policy decisions and develop flexible frameworks for global talent attraction that support desired economic objectives; in other words, to create the conditions for success in a rapidly evolving global environment.

In the table below, we therefore combine these measures into one framework, including those proposed in published research, additional factors relevant to today's global workforce and economic environment and the respective maturity of available data.

Table 1 **Framework of direct and indirect measures of global talent mobility and economic productivity**

| Measure | | | Referencing | Maturity* |
|---|---|---|---|---|
| **Direct** | GDP | Standard measures adopted across key quantitative analyses | ILO, IMF, OECD, WEF | ■■■■■ |
| | Output per worker | | | ■■■■■ |
| | GDP growth per capita | | | ■■■■■ |
| | GVA per worker | | | ■■■■■ |
| | Wage growth | | | ■■■■■ |
| | Employment rates | | | ■■■■■ |
| | Labour dependency | | OECD | ■■■■■ |
| | Tax take | | HMRC | ■■■■■ |
| **Indirect**** | Entrepreneurship | '(Migrant) entrepreneurs … create a wider impact on the business industry' [33] | Wharton, academia | ■■□□□ |
| | Start-up per capita | 'We found that the companies (migrants) started just in the US tech sector have generated billions in revenue' [34] | Berkeley, academia | ■■□□□ |
| | Investment capital per worker | 'Immigrants increased the size and number of firms providing investment opportunities' [35] | Berkeley, academia | ■■□□□ |
| | Remittances | Remittances are an important factor in the global economy and help drive growth both at home and abroad. If developing countries develop policies that can protect and help their migrant workers, it may help support the growth of other countries, which are (in some ways) the recipients of migrants' remittances. | World Bank, Eurostat, WEF, IMF, academia | ■■□□□ |
| | Patent creation | 'International migration can contribute to innovation, business environment, patents and economic growth' [36] | HBR, academia | ■■□□□ |
| | Migrant leadership | 'One in ten SMEs in Scotland is migrant-led … generating £13 billion in revenues and 107,000 jobs for the Scottish economy' [37] | FSB, Migrant Leaders Forum | ■■□□□ |
| | Boardroom diversity | 'The four most valuable US Unicorns have immigrant CEOs. So do four of the seven top public companies' [38] | Unofficial, published reports | ■■□□□ |
| | Research and innovation | 'Migrant inventors show a 23% gain in productivity following a move' [39] | Academia | ■□□□□ |
| | SMEs | Immigrants are starting businesses at a much higher rate than native-born workers in America | Academia, business forums | ■■□□□ |
| | Levelling up/regional growth | 'Migrants … increasing the income and well-being of the overall population'. [40] 'Immigrant mobility 'helps slow wage decline in stagnant regions and contributes to economic growth in booming ones'. [41] | OECD, Berkeley | ■■□□□ |

* Maturity denotes a qualitative assessment of how well-established each measure already is in global research data and analysis

** These are impacts assessed in other research on migration and economic contribution

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| | Socio-economic trade links | 'Migrants contribute to the internationalisation of their host economy by promoting trade flows of their host economy and boost total imports and exports of their host region | OECD, World Bank, EU Commission | ■■□□□ |
| | Strengthened country brand | '[The] impact [of migration] on a country's position as an international hub of productivity and innovation should be factored in' [42] | BCG | |
| | Workforce diversity | 'Migrants have the potential to increase workforces and filling in niches in both fast-growing and declining business sectors. They have positive effects on international trade, technological progress, and investment'. [43]<br><br>'Immigration plays a vital role in moulding workforce diversity in many countries. When people from different countries and cultures move to a new country to work, they bring their unique skills, experiences and knowledge'. [44] | Academia | ■■□□□ |
| | 'Legacy' benefit | 'No matter what the educational level of the parents, the children of immigrants generate a very strong financial gain' [45] | OECD | ■■□□□ |

* Maturity denotes a qualitative assessment of how well-established each measure already is in global research data and analysis

** These are impacts assessed in other research on migration and economic contribution

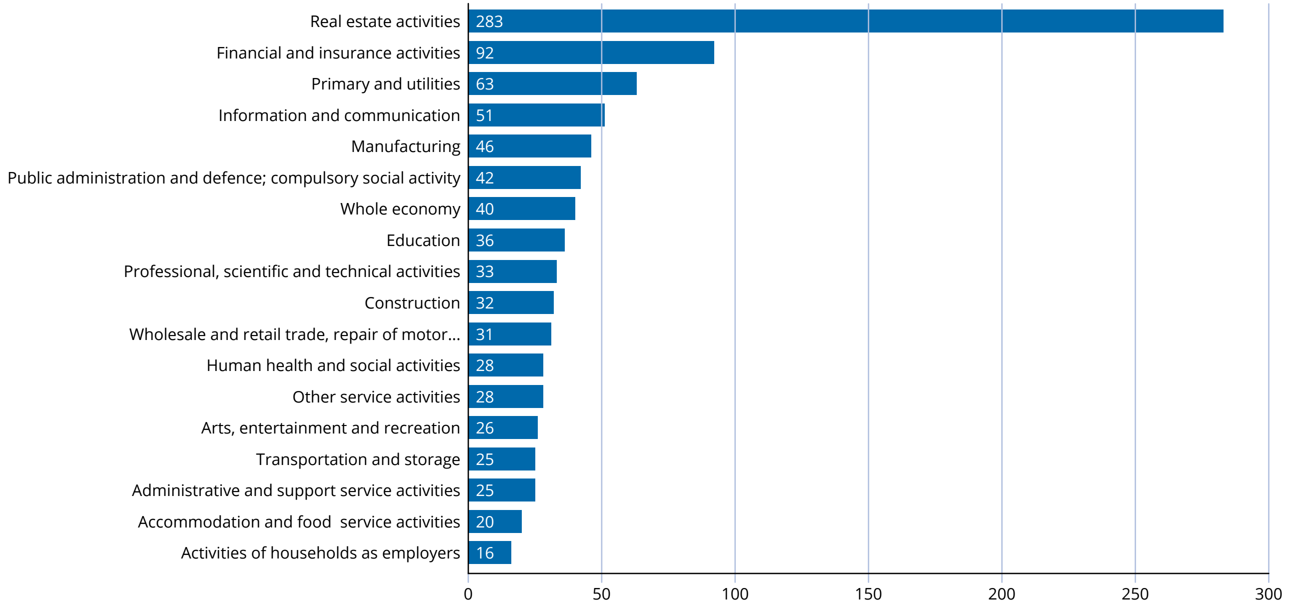
The maturity of data on direct measures is overall more advanced than data on indirect measures. However, indirect measures cover a broad and important spectrum that must be considered when building a holistic framework to understand and assess the impact of global talent mobility on the UK's economic productivity.[46]

# Understanding global talent productivity in the City of London

The need for the UK to be competitive on international talent to realise economic growth potential is twofold:

1. The financial (including insurance activities) and professional, scientific and technical activities sectors are amongst the most productive sectors, with the financial (including insurance activities) sector the second most productive sector in the economy.
2. Reliance on international talent in the sector reaches 40% in parts.
3. In particular, international talent will play an important role in ensuring the UK is a globally leading tech and AI FPS hub.
4. The financial (including insurance activities) and professional, scientific and technical activities sectors are knowledge-intensive and require highly skilled workers.

Figure 1 **GVA per hour worked by sector, UK (£, 2021)**




*Source: ONS*

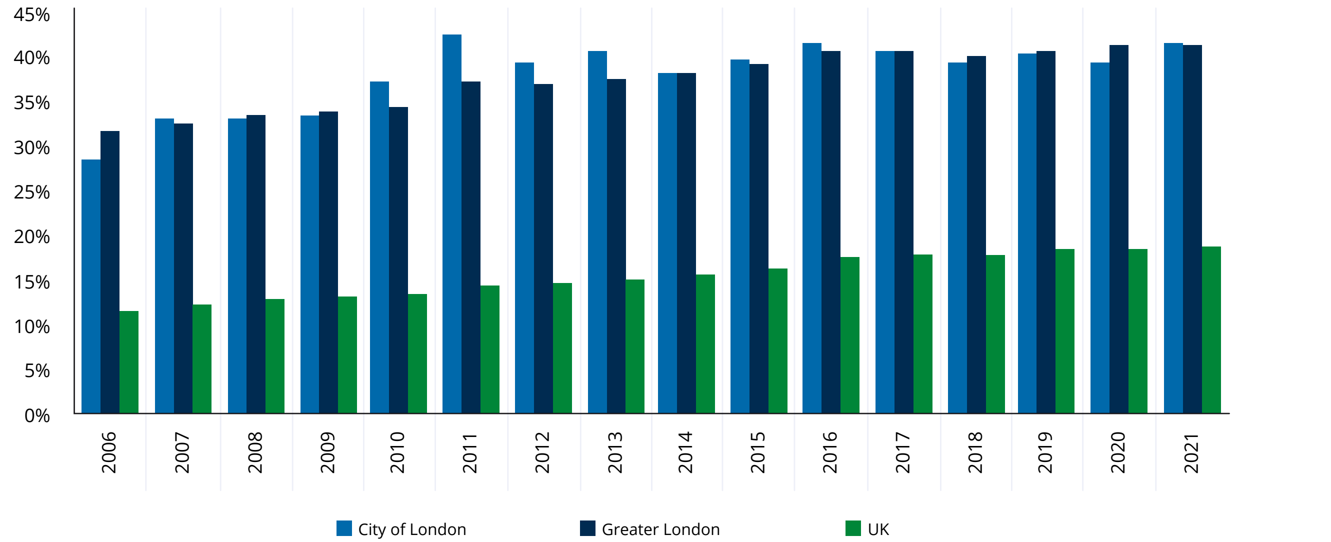
## The City of London has a high proportion of workers born outside the UK

There is also a higher-than-average proportion of workers born outside of the UK in the City of London – and it demonstrates an upward trend, from 28% in 2006 to 42% in 2021.

The proportion of non-UK-born workers is similar in Greater London but significantly higher than in the UK overall, where 19% of workers were born outside the UK in 2021.

This proportion has grown from 11% in 2006, though growth in the UK is naturally impacted by the growth in international workers in London.

Figure 2 **Share of non-UK-born employees**[1]




*Source: City of London Corporation, ONS*

As outlined above, the type of work and skills required in the City of London differs from that in Greater London.

Greater London's sectoral profile includes the human, health and social activities as a major contributor to employment – the sector is likely to include a large number of lower-skilled jobs.

**In total, it is estimated that in 2021, migrant workers in all sectors of the City of London contributed £34 billion to the City of London's GVA and £8 billion through tax contributions to the UK.**

- The financial and insurance services sector accounted for 8.3% of the UK's GVA.
- The GVA contribution is estimated to be 42% of the City of London GVA and 2% of the UK GVA.[2,3]
- The tax contribution is estimated to be 1.4% of the HMRC's tax receipts in 2020/21.[4]

# Evolving global trends and competitor benchmarking

There is room to grow the economic benefit, such as GVA and tax contributions described above, in line with the UK's own strategic growth priorities.

*Moving labour to higher-productivity settings boosts global GDP. Migrants comprise just 3.4% of the world's population, but MGI's research finds that they contribute nearly 10% of global GDP.*[1]

Given these direct and indirect correlations to productivity and economic growth, there is fierce global competition for limited talent pools. It is unsurprising that the last five years have seen a significant increase in global activity by policymakers on global talent mobility and economic productivity, accelerated by the COVID-19 pandemic and a desire to reset economic growth strategy.

*Future government immigration policies can have a direct and beneficial fiscal impact on a country's booming entrepreneurial sector as well as its GDP.*[2]

The UK's global competitor markets are studying, revising and introducing global talent policies to manage economic challenges and to align policies to strategic long-term objectives.

They are adopting multi-stream global talent initiatives and leveraging new ways of work to access talent and plug skills gaps, sometimes without ever having talent cross a border.

These policies are focused on moving from traditional demand-led immigration systems to strategic talent mobility programmes – to draw in global talent with specific skills, knowledge and abilities.

Economic, demographic and political challenges, along with concerns around future labour supply, have acutely renewed the attention of policymakers on the role of talent mobility in supporting strategic economic ambitions.

*Countries and cities that optimise their migration mix for economic potential can reap significant competitive advantage, now and in the decades ahead.*[3]

Most countries will adopt a **broad skills approach** to immigration policy, at least partly. This is an employer-**demand-led approach**, often skills or sector-agnostic, with no preferential or streamlined routes to attract strategic talent, but with minimum criteria (prospective salary, skill level of the role, experience, educational qualification, etc.).

This may sit adjacent to more strategic priority policies, across a **quadrant of global talent policy drivers** to fill labour shortages and skill gaps, diversify and boost the national economy, help improve demographic imbalances, stabilise declining populations and foster innovation and technology.

*Almost two-thirds of the world's migrants reside in developed countries, where they often fill key occupational shortages.*[4]

Figure 3 **Key drivers of *supply-led* global talent policies**

**Targeted skill**
Policies to attract specific types of skills into the country

**Ageing population**
Policies to future-proof the workforce due to a rapidly ageing population

**BROAD SKILLS APPROACH**

**Innovation and/or entrepreneurship**
Policies to attract and retain innovators, entrepreneurs, start-ups

**Diversification of economy**
Policies to draw skills and talent into a specific industry/ sector with an aim at diversifying the economy

1. **Targeted skills gap approach:** *immigration policies aimed at attracting specific skills or knowledge.* According to the World Economic Forum, 44% of workers' core skills are expected to change in the next five years.[5] This trend has already started, and many countries are experiencing skill gaps as a result. A Korn Ferry study found 'that by 2030, there will be a global human talent shortage of more than 85 million people'. Unless addressed, they forecast this can result in almost $8.5 trillion in unrealised annual revenues.[6] Increasing immigration policies targeting specific skills and knowledge are being introduced by governments around the world, with heavy weighting in tech and healthcare.
2. **Ageing population:** *immigration policies implemented to future-proof an ageing economy.* The UN reports that every country is experiencing growth in the number and proportion of older persons, a demographic change with significant economic and social consequences.[7] Immigration policies in this segment are being used as a valuable lever for addressing challenges associated with an ageing population by increasing the size of the labour force while fostering new talent and skills.[8]
3. **Diversification of the economy:** *policies aimed at attracting unique knowledge, skills and experience to countries where the government recognises the need for economic diversification.* Migrants bring different skills, knowledge and experience to the receiving country. Governments can harness the new learnings to help diversify and grow new industries.
4. **Innovation and entrepreneurship:** *immigration policies aimed at making immigration categories and processes attractive for innovators, entrepreneurs and start-ups.* Start-ups and innovative entrepreneurship thrive in an environment where individuals are motivated and supported to create new products or services and take risks. In today's global economies, immigrant entrepreneurs play a vital role in spurring innovation, job creation, attracting foreign investment and driving economies forward.

These drivers originate in specific country needs and challenges, which often occur simultaneously and interact to create a highly complex environment for policymakers. For example, policies to attract a target skillset may be driven by labour shortages due to an ageing population, and attracting innovators and entrepreneurs may be in response to a need to diversify the economy. For this reason, not all policies are easily segmented and can be driven by more than one need.

*Immigrants in advanced economies increase output and productivity in the short and medium term. Specifically, a one percentage point increase in the inflow of immigrants relative to total employment increases output by almost 1% by the fifth year.* [9]

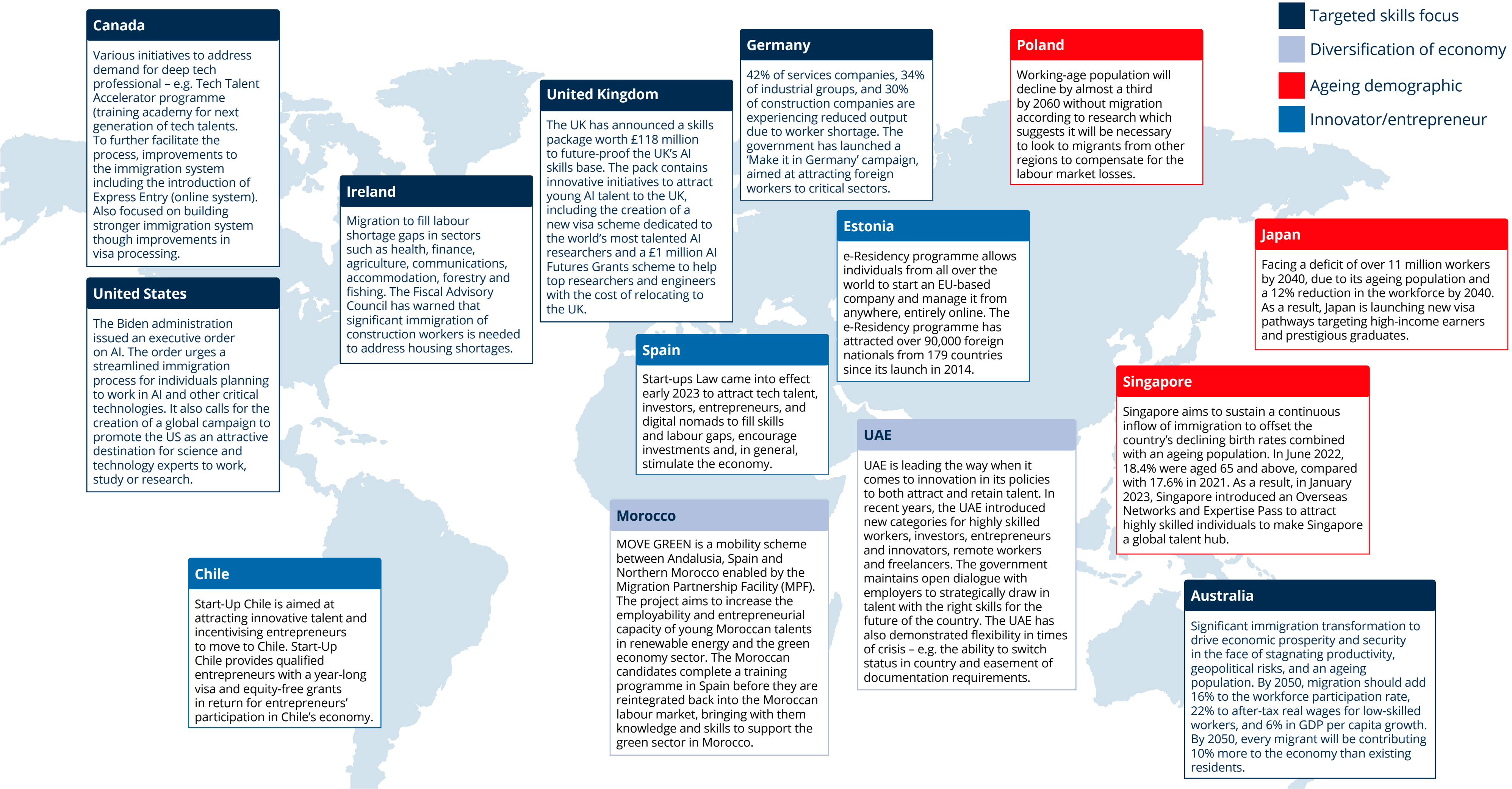
In the table below, we provide an overview of the policies countries prioritise based on their economic needs.

Table 2 **Sample country list from the EY Global Immigration Futures and Talent Index 2024**

| | | UK | France | Germany | Hong Kong | Japan | Singapore | USA | Australia | Canada | Denmark | Dubai | Estonia | Finland | Italy | Ireland | Latvia | Luxembourg | Malaysia | Netherlands | New Zealand | Norway | Poland | Saudi Arabia | South Korea | Spain | Switzerland | Sweden | UAE (Federal) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Broad skills 'demand-led' approach | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Core 'talent attraction' quadrant | Targeted skills | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Core 'talent attraction' quadrant | Diversification of economy | ● | | | | ● | ● | ● | ● | ● | | | | | | ● | | | | ● | ● | | | ● | | | | | ● |
| Core 'talent attraction' quadrant | Ageing demographic | ● | ● | ● | | ● | ● | | ● | ● | ● | | | ● | | | | | | | ● | | ● | | ● | | | | |
| Core 'talent attraction' quadrant | Innovator/ entrepreneur focus | ● | ● | ● | | ● | ● | ● | ● | ● | | | ● | ● | | ● | | | | ● | ● | | ● | | | ● | ● | ● | ● |

*Highlighted countries are those designated as competitor markets in the City of London's competitiveness strategy[10]

Figure 4 **Global snapshot**



A core component of each country's immigration system includes the routes and permit categories available to foreign talent. This can typically be broken down into four streams:

- Routes to attract young minds (students)
- Routes to enable employers to attract global talent for defined, specialised or skilled roles
- Routes to attract exceptional global talent and 'high demand – short supply' skills
- Routes to attract those entrepreneurs and innovators who build, create, disrupt and innovate

Immigration, of course, is only one consideration for those who have choices (academic institutions, cost of living, workforce opportunities, economy, environment for innovation, other social/cultural factors) – but immigration is the gateway – it plays a key role.

Table 3 **Extract from the EY Global Immigration Futures Index 2024 (Talent)**

| Route | Where the UK does well | Where competitors do well |
|---|---|---|
| **Students** | • The UK has an advantage among the majority of competitive countries when it comes to the efficiency of the visa processing time. Student visas are generally processed in three weeks – countries with similarly competitive timelines are Singapore and UAE (both countries have permits that are processed in under four weeks).<br>• Visa length in the UK is favourable – like the USA, Singapore and Canada – the UK grants the student visa for the duration of studies. This makes it easier for students since they do not have to renew it every year.<br>• As part of the UK's strategy to future-proof the availability of top AI talent, the UK will open an immigration category specifically dedicated to the world's most talented AI researchers – the streamlined route aims to encourage researchers to come to the UK on internships and placements early in their careers and build their careers, ideas and businesses in the UK.<br>• The UK will also fund 15 GREAT scholarships for international students to study science and technology in the UK.<br>• *The UK has historically allowed students to bring their dependants. This was a benefit helping the UK to attract various groups of students – these rules changed in January 2024, other than for those on post-graduate research courses such as PhDs.* | • The UK has comparatively high visa costs for students. The average cost across competitor markets is approximately £150, compared with £490 for the UK application alone. Students are also required to pay the Immigration Health Surcharge (to rise to £1,035 per year early 2024 for applicants over 18 and payable for the full duration of the visa/course of study). The total payable in visa fees at the point of application for a three-year course would therefore be approximately £3,595.<br>• When it comes to the ability to work as a student, the UK performs well, allowing students to work up to 20 hours per week. However, some others offer greater flexibility. For example, in 2023, Canada is piloting a 40 hours per week allowance, whereas Germany operates on a yearly rather than weekly basis by giving the days per year individuals can work.<br>• The UK is among the countries that do not count the time on a student visa towards permanent residency. This, compared with destinations such as Australia, Canada, Germany and Singapore positions the UK in a much less favourable position in terms of retaining top talents in the country post completion of study and could be viewed as discouraging to long-term plans to stay in the UK. Students are currently required to 'switch' visa category following completion of their studies before time can be counted, often requiring a secure job offer and associated visa sponsorship. |
| | **Strengthening UK competitiveness: The UK must focus on driving UK attractiveness to global student talent. The UK has world-renowned universities that attract students, but this may no longer be sufficient in the increasingly intense competition for talent. The UK's Graduate route and the new upcoming AI talent route are dynamic initiatives that can be used to attract student talent. Building additional flexibilities around working as a student, costs and routes to long-term residency routes will further enhance the UK's competitiveness in this category.** | |

Table 3 **Extract from the EY Global Immigration Futures Index 2024 (Talent)** *continued*

| Route | Where the UK does well | Where competitors do well |
|---|---|---|
| **Skilled worker** | • In terms of Skilled Worker visa qualifying criteria, the UK is one of few countries that does not require extensive educational documentation; the emphasis is instead placed on the skills required to perform the UK role. Given that tech talent can be self-taught or demonstrate skills obtained through experience, this can be advantageous to drawing in a wide range of tech skills.<br>• As in most categories, the UK has a comparative advantage when it comes to the efficiency of the visa processing time and relative simplicity of process.<br>• The UK's visa length is also a positive – five years is longer than the most countries – only exceeded by Australia and matched by the UAE. This longer duration can also facilitate an application for permanent residence (indefinite leave to remain) subject to qualification without requiring multiple renewal processes.<br>• The UK also has no quota applied to the number of Skilled Worker permits that can be issued – which is also an advantage given Australia, New Zealand, Singapore and the US still have a quota in place. | • Singapore, Germany and France do well in terms of costs – the UK cost is higher than these countries but still below New Zealand, Australia and the US.<br>• France, and to an extent Germany and Singapore, also do very well in processing time.<br>• Australia has an advantage because of the visa length, given that it can be issued on a permanent basis.<br>• Canada, France, and Germany, like the UK, do not have a quota in place for skilled worker visas.UAE is leading the way when it comes to innovation in its policies to both attract and retain talent. In recent years, the UAE introduced new categories for highly skilled workers, investors, entrepreneurs and innovators, remote workers and freelancers. The government maintains open dialogue with employers to strategically draw in talent with the right skills for the future of the country. The UAE has also demonstrated flexibility in times of crisis – an example of this includes an ability to switch status in country and easement of documentation requirements. |
| | Strengthening UK competitiveness: **The UK has one of the most expensive skilled worker programmes in the world. It must build greater agility to adapt to the UK's strategic economic priorities and enable employers to access the right talent efficiently. This will, in turn, drive the UK's economy towards its growth targets by drawing in and retaining highly skilled talent.**<br><br>**In reviewing salary thresholds it is critical to look at cross-impact for students and graduates in the UK's strategic sectors, and regional impact.** | |

Table 3 **Extract from the EY Global Immigration Futures Index 2024 (Talent)** *continued*

| Route | Where the UK does well | Where competitors do well |
|---|---|---|
| **Exceptional talent** | • The UK does well by simply having a dedicated visa category for this purpose – not all countries have a visa specifically for tech talent, e.g. France and New Zealand.<br>• The UK does well on processing time and has the shortest processing time compared to the other countries.<br>• The UK's qualifying criteria are also fairly advantageous to talent growth as, unlike some of the other countries, applicants can be potential leaders and not only established leaders.<br>• The UK has introduced a £1 million AI Futures Grants scheme to support the new generation of AI leaders with the relocation costs to the UK, where they will take up positions at the UK's top universities, businesses and research institutes.<br>• The UK does not have a quota for this category, whereas other countries, such as Australia and the US, do place a limit on the number of permits issued per year. | • The visa length for many of the countries is very favourable – Australia, Canada, Germany and the US offer permanent visas. The UAE's visa length is 10 years and Singapore's is five, which means the UK's one-to-five years is restrictive in comparison.<br>• The visa cost for the US is lower compared with other visas and is considerably lower than the UK.<br>• Other countries with favourable visa costs are Singapore and Germany, where cost reduction is a driver. This puts the UK at a disadvantage.<br>• All countries except the US present favourably when considering working rights for dependants.<br>• Processing times vary among the countries, but Singapore's processing time is comparatively short. |
| | Strengthening UK competitiveness: **The UK's recent AI Futures Grants will alleviate some of the drawbacks in this stream, but the UK should introduce other similar initiatives to improve attractiveness and uptake, through effective global outreach.** | |

Table 3 **Extract from the EY Global Immigration Futures Index 2024 (Talent)** *continued*

| Route | Where the UK does well | Where competitors do well |
|---|---|---|
| **Entrepreneur/innovator** | • The UK has a strong advantage among all the competitive countries when it comes to the efficiency of the visa processing time – the UK is faster than any other country in this category.<br><br>• When it comes to bringing dependants as well as providing a route to permanent residency, the UK is performing alike. It is also a particular point of note that eligible applicants may secure permanent residency/indefinite leave to remain within a reduced term of three years (subject to eligibility) instead of the typical five for most other UK visa routes. Hence, although it does not give the UK a competitive advantage – it allows it to maintain competitiveness among other destinations.<br><br>• The UK performs well by offering a specific Scale Up visa route, allowing individuals employed by a qualifying 'scale up' business to transfer to the UK for an initial two-year period (with optionality to extend), providing an opportunity to attract talent in targeted growth areas. | • When it comes to qualifying criteria, the UK requirements are similar to other countries. However, what can discourage some entrepreneurs/innovators from setting up a business in the UK is the investment fund requirement. This may especially impact young innovators who may not have enough funds to meet this criterion, which, in turn, impacts UK attractiveness to talent.<br><br>• In terms of visa costs, the UK is more expensive than competitor nations when considering the visa application fee and requirement to pay the Immigration Health Surcharge at the point of application.<br><br>• Following the above, it is noted that the UK's Entrepreneur visa route is now closed to new applicants. Unlike most other countries, this visa cannot be extended but converted to the Innovator scheme. This adds additional formalities to the process for those already in the visa pathway. |
| | **Strengthening UK competitiveness: Innovation is central to addressing some of the greatest challenges faced by the UK. By building the UK's brand as a top destination for entrepreneurs, innovators, scale-ups and start-ups, the UK can level up the economy and create high-value new jobs and trading opportunities. The UK should be innovative with bespoke, creative and streamlined routes to attract this high demand global talent.** | |

Case study 1

## Economic diversification through attraction and retention of global talent

**United Arab Emirates (UAE)** stands out amongst competitors for its wholescale overhaul of its immigration system to drive talent attraction, retention and economic diversification.[11]

During the pandemic, a comprehensive initiative was launched to attract and retain talent, focusing on ensuring a steady supply of talent in strategic sectors.[12] In 2021, the UAE government launched the 'We the UAE 2031' vision, outlining strategies to elevate the UAE's status as a worldwide partner and influential economic hub. In January 2023, the Dubai Economic Agenda, 'D33', was approved, outlining aims to double the size of Dubai's economy within the next decade and cement its position among the 'top three' cities globally. D33 includes 100 transformational projects in its first phase – including Dubai's Future Economic Corridors 2033; integrating 65,000 young Emiratis into the job market; and launching a programme to attract the world's best universities, making Dubai a leading hub for higher education. The UAE also introduced several innovative policies from an immigration standpoint, including the UAE's digital nomad visa and the golden visa aimed at attracting highly skilled professionals from all over the world.[13]

Some of the key objectives of the vision include achieving AED800 billion in non-oil exports, increasing GDP from AED1.49 trillion to AED3 trillion and positioning the UAE among the top 10 countries for attracting global talent.[14] As a result of investment in infrastructure, renewable energy, housing and tourism projects, approximately 70% of GDP is now generated by sectors other than oil and gas.[15] In addition, the UAE has successfully diversified into the financial industry due to infrastructure, access to talent and policies that promote a favourable environment for businesses, making up around 6% of GDP in 2023.[16]

## Case study 2
## Targeted skills approach and AI and tech talent strategies globally

Global talent and immigration policy is hyperactive in this space at present, and there is no sign of it abating.

Over the last two months of 2023 alone, the **US** and **UK** have announced major strategies to attract and retain tech talent in this highly competitive area.

In the **US**, access to skilled workers is a concern of the tech industry and the country's position as a global leader in AI may be impacted if the right talent cannot be accessed. To keep their position as world leader in AI and to address some of the biggest concerns surrounding AI technology, the Biden administration issued an executive order focused specifically on AI. The order focuses on issues such as discrimination, security, and privacy to regulate AI companies. Importantly, the executive order also introduces targeted immigration initiatives to bring in the required AI talent. It urges for streamlined immigration process for individuals planning to work in AI and other critical technologies in the US. It also calls for the creation of a global campaign to promote the US as an attractive destination for science and technology experts to work, study or research.[17,18] This is a significant development as the US currently has the highest proportion of immigrants worldwide and is already a very attractive destination for migrants.[19] Until now, the US government has taken a mostly broad skills approach to immigration, and this move to secure future access to global tech talent is likely to further intensify the global competition for tech talent.

The **UK** is also putting a specific focus on solidifying its AI skills base, and on 31 October 2023, the government announced a £118 million funding package focused on AI skills.[20] A core component of the package is a visa scheme dedicated to the world's most talented AI researchers – the aim of the streamlined route is to encourage researchers to come to the UK early in their careers and build their careers, ideas and businesses in the UK.

Over the summer, the **Canadian** government announced a new Tech Talent Strategy, in which immigration policy plays a vital role. The government consulted with tech industry stakeholders to identify the specific skills needed in high-tech industries, and the new Tech Talent Strategy aims to bring talent in with these specific skills as Canada leans into its emerging role as a leader in global tech talent.[21] Canada's new Tech Talent Strategy contains initiatives that open new routes for US H-1B holders, create streams for highly skilled individuals and STEM entry, as well as reduced processing times for the Start-Up Visa Program and Global Skills Strategy (GSS) work permits. Canada is also actively reviewing the role that digital nomads can play in promoting and elevating the industry.

Many other countries have also launched tech initiatives to bring in the best talent. For example, in 2020, **Australia** launched the Global Business and Talent Attraction Taskforce to attract entrepreneurs and tech skills to drive innovation and local jobs and make it easier for the Australian industry to access global talent.[22] Australia also launched a Global Talent Programme aimed at targeting highly talented individuals who can create opportunities for Australians by transferring skills, promoting innovation and creating jobs.[23] AI, advanced digital data science and information and communications technology (ICT) were sectors for the highest number of visas granted under the Global Talent Programme. As a result of these tech initiatives, Australia's tech workforce grew 8% between February 2022 and February 2023, from 865,000 to 935,000, putting them on track to achieve the goal of 1.2 million technology-related jobs by 2030.[24]

Case study 3

## Innovation in Europe around virtual ways of working

The European Commission recognises in its 2023 report – Employment and Social Developments in Europe (ESDE) – that the ageing population is a major trend affecting labour shortages across Europe, and attracting people from outside the EU with the skills needed is one of the main objectives of the European Year of Skills.

Countries across the EU are introducing local policies aimed at attracting foreign talent to address labour shortages. Germany's Labour Minister, Hubertus Heil, said 'Securing our skilled labour base is one of Germany's biggest economic tasks for the coming decades'.[25] The European Commission revealed that 42% of Germany's services companies, 34% of its industrial groups, and 30% of construction companies are experiencing reduced output due to a shortage of workers.[26] As a result, the authorities have approved a new legislative proposal to reform the immigration rules to attract skilled foreign nationals. Furthermore, the government has launched an international advertising campaign, 'Make it in Germany', to attract foreign workers to sectors that have been particularly affected by the skills shortage.[27]

German companies, hoping to provide the country with much-needed labour for the IT industry, are training young Africans to become IT experts.[28] Training and work are remote, and employees are not required to leave their home countries to provide services in Germany. This is a win-win situation for both Germany and the African countries – Germany receives the skilled labour they desperately need, and the African countries do not suffer the effects of brain drain.[29]

# Taking stock: the UK's growth strategy, FS and global talent needs

Whilst global policymakers are vying to fill critical talent gaps, the UK also has ambitious plans for economic growth and the future of talent and skills in the UK. The UK aims to cement its place as a global science and technology superpower by 2030, a core component of which is bringing the world's best talent to the UK.[1,2]

So, too, is financial services one of five strategic growth sectors for the UK.[3]

The City of London Corporation's Vision for Economic Growth Plan to inject £225 billion into the UK's economy focuses on the criticality of increasing productivity.[4]

*The UK's productivity growth is low, GDP increases are sluggish, and wages aren't keeping pace. The standard of living for many has been flat or declining, and the prospects for the younger generation are uninspiring. But, given the right legislative and regulatory conditions, the financial and professional services sector can boost investment in our businesses and drive growth right across the country, financing our future.*

These legislative and regulatory conditions must include those that promote and upskill the domestic labour market and ensure a more diverse, inclusive and equitable workforce in the sector as we face a new era in technology and AI.

And it must ensure the UK is highly competitive in global talent.

*The UK financial centre is a global magnet for not only the best and the brightest talents in a wide variety of professions but also investment in innovative industries like fintech, making it an attractive place to do business and facilitate easy collaboration with the public. This ability to attract talent and money is an asset few rival centres can match.*[5]

Our workforce must be equipped with the right talent and expertise to build future skills through upskilling, reskilling and skills forecasting, which will boost productivity and innovation. This work is vital to tackle existing skills shortages and to ensure our sector remains globally competitive.[6]

## Case study 1

### Tech talent skills in the sector: the state of play

EY Skills Foundry™ reports that with the consistently high pace of transformation in technology, a shift in the workforce is needed. Software as a Service (SaaS), automation and cloud-based platforms are significant drivers. Having a more detailed conversation about skills and skill supply is critical, making better distinctions between critical and high-demand skills and finding areas where they overlap.

Some skills, such as data analysis and project management, are crucial across the industry (both critical and in high demand). Other skills previously flagged as critical, such as cybersecurity and AI, are of significant importance, though not universally needed in all jobs and are in extremely short supply. These critical skills can significantly impact industry development without requiring widespread adoption by the workforce. This distinction is vital for making decisions about talent development strategies, including upskilling and reskilling efforts and allocating resources effectively.

**Technology skills are prevalent in the financial services (FS) sector**, with one in three skills in the sector being technology-related. In contrast, the Financial

Services Skills Commission (FSSC) reports that only one in eight roles in FS explicitly focuses on technology. This difference suggests that technology skills will be of growing importance, even in traditionally non-technical roles, within the industry.

Additionally, with tech skills having a short lifespan (around 2.5 years) and already having the highest demand globally compared with non-tech skills, an increasingly competitive market with high levels of attrition is created.

## Case study 2
## Green skills and industry benchmarking

The International Labour Organization (ILO) estimates that 24 million green jobs will be created by 2030.[7] In recent years, there has been an increased focus on the skills needed as employers and governments move towards a sustainable future. This increase in demand is already evident, with data from sources like LinkedIn showing that hiring for green jobs is outstripping overall hiring.[8] Along with the rest of the economy, demand for green skills is quickly growing in the finance sector. Both banks and financial institutions need in-house knowledge at an increasing rate.[9]

In the Global Green Skills Report 2023, it has been identified that the UK finance sector lags behind most other industries in nurturing green talent. For example, over 26% of UK construction, manufacturing and energy workers have green skills, meaning they hold at least one sustainability-related skill. Whereas the portion of workers in the FS sector is significantly lower at 7.6%.[10] This is also behind the level of other countries' finance industries, with Germany, Luxembourg and the US finance industries at 11.3%, 9.6% and 8%, respectively.[11]

However, there has been a shift in recent years, and more and more finance professionals are building green skills. From 2022 to 2023, the share of finance professionals with at least one green skill rose 14.2% in the UK.[12] This reflects the global trend where the finance industry is greening quickly in comparison with other industries 'with the concentration of green skills growing by a median of 14.8% over the past year'.[13] Across the economy, the number is 12.3%.

The UK government is taking action to meet this growing demand for green skills, with initiatives such as the Green Jobs Taskforce, the Ten Point Plan for a Green Industrial Revolution and their green finance strategy – the UK was the first major country to publish a green finance strategy in 2019.[14, 15, 16] However, as the demand for green skills continues to grow, business and government must put increased focus on this to draw in global skills and knowledge and upskill the local workforce, positioning the UK competitively now for near future demand.

# Recommendations to enhance UK competitiveness

How, then, is the UK's global talent approach tracking against global competitor markets?

- In **September 2020,** the City of London Corporation and EY proposed reforms the UK should make to develop a world-class visa regime and attract the best and brightest talent into the UK.[1]
- A separate research paper by TheCityUK and EY in October 2020, set out how the UK's new independent trade and investment policy could help UK businesses secure access to global talent.[2]
- Following deep stakeholder engagement across FPRS, both reports emphasised that access to talent was a top priority for industry across the UK, and essential to ensuring the UK's future competitiveness.
- In our work on the Kalifa Review of UK Fintech in **February 2021**, we looked at the need to introduce a new visa stream to enhance access to international talent for FinTech scaleups.[3]
- In **September 2021**, we collaborated with EY and TheCityUK on a 'One Year on Scorecard' to assess how far the UK had come, and what opportunities for progress remain.[4]
- We looked at how a sustainable work anywhere framework could help the UK attract and retain talent in our **November 2022** report on Shaping the Future of Borderless Work.[5]

We again review progress against 2023-24 reforms as we currently know them, recognising changing market conditions, enhanced competition, an emerging focus on green skills and innovative approaches around 'borderless' work.

The findings of this study generate additional recommendations we put forward to continue building on success:

**Build** the UK's brand globally as an attractive destination for global talent.

**Align** immigration policies to a global talent strategy.

**Establish** an adaptable strategic global talent working group with public-private partnerships and engagement with education sectors.

**Leverage** new ways of working to access global skills virtually, building partnerships that enable access to talent leveraging technology and borderless workforces.

**Continue to improve** service and trade routes. Creating a UK knowledge and support hub to showcase our offering to the world.

**Promote** an evidence and data-based approach to the global talent and productivity discourse.

We build these into our existing set of recommendations in our updated scorecard:

| Strategic Talent Mobility 2023 update on scorecard and 2024 recommendations | | | | Building on success |
|---|---|---|---|---|
| [Building an immigration system for the future of work – City of London] | Points-based, unsponsored route | High Potential Individual Route for the highly skilled introduced in March 2022 | 🟢 | **Review** qualification for points to broaden access for international talent in the sector, in particular to encourage inward investors and innovators |
| | Simplified Sponsor processes | The government has published its Sponsorship Roadmap *but deeper tech deployment is needed to build a 'talent attracting' user experience* | 🟡 | **Implement** these reforms speedily to reduce the administrative burden on employers and speed up access to international talent |
| | Diversity, equity and inclusion | Little movement to date | ❌ | **Support** employers through data, research and policy by implementing the paper's recommendations and publishing DEI data |
| [International trade agreements and UK immigration policy: a practical blueprint for evolution, TheCityUK] | Prioritise reciprocal Youth Mobility Schemes 'YMS' | Significant progress with 2023 India, Australia agreements and expected further roll-out | 🟡 | **Continue** to prioritise Youth Mobility Schemes with key trade partner countries for the sector to enable mutual knowledge and talent exchange |
| | Simplified immigration rules supporting service delivery | Global Business Mobility Route introduced in 2022 for overseas businesses to establish a presence or transfer staff to the UK | 🟢 | **Continue** to improve service and trade routes. Creating a UK knowledge and support hub to showcase our offer to the world could attract an additional £24 billion of FPRS exports, £700 million of FDI and 5,000 jobs from FDI by 2030. That means more jobs, more tax receipts, and better services for the UK |
| | Enhanced use of the UK's soft power to attract talent | Introduction of the Global Talent Network | 🟢 | **Build** stronger public-private partnerships to amplify the benefits of the GTN across growth sectors and stakeholders |
| [The Kalifa Review of UK FinTech] | Visa stream to enhance access to international talent for FinTech scale-ups | Scale-up Route introduced in August 2022 | 🟢 | **Review** of the qualification criteria to ensure maximum impact and increase soft power to market the UK 'scale-up' ecosystem |
| [Global Talent Mobility: Ensuring UK competitiveness one year on: our scorecard, TheCityUK] | Hybrid routes on business visitor activities | Chancellor committed to Autumn reforms in Spring Budget 2023 and introduced business visitor reform in December 2023, taking effect in January 2024 | 🟢 | **Continue** to evolve business visitor policy around UK's strategic objectives, leveraging border security measures, such as ETA |
| [Shaping the future of borderless work: Towards a new model for cross-border remote working (theglobalcity.uk)] | Clarity on policies and regulation that govern risk associated with cross-border remote work | Drive global efforts towards harmonising policies impacting CBRW that inhibit UK business growth and competitiveness | 🟡 | **Continued efforts** are needed to help employers understand and govern cross-border remote work into the UK. The inclusion of remote work as a permitted visitor activity in late January 2024 is a welcome step |

**2024 recommendations:**

**Build** the UK's brand globally as an attractive destination for talent.

**Align** immigration policies and key routes to a global talent strategy.

**Establish** an adaptable strategic global talent working group, with stronger public-private partnerships and engaging with education sectors to adapt to changing needs in parallel with a refreshed domestic skills strategy.

**Leverage** new ways of working to access global skills without borders, building partnerships that enable access to talent leveraging technology and borderless workforces.

**Continue to improve** service and trade routes, creating a UK knowledge and support hub to showcase our offer to the world.

**Promote** an evidence and data-based approach to the strategic global talent and productivity discourse.

# Closing

*Building the UK's domestic skills pipeline and supporting upskilling of the local labour market is at the core of a robust and sustainable talent strategy for the FPS sector.*

In terms of the role global talent has to play, a review of the literature and data on global talent and productivity shows a strong correlation and direct and indirect economic benefit to the UK economy, including through the localised creation of opportunity and employment. Whilst there remain calls to improve the migration data available to formulate evidence-based migration policies around economic productivity ambitions (and otherwise) and inform public discourse have become increasingly strong, the UK can set a global standard by using broad and holistic metrics to capture the economic benefit.

In the context of global talent, the key focus for the UK should not only be accessing the talent and filling the skills gaps needed to deliver on its economic growth strategy, but seizing this moment of rapid change and global competition to pivot to a deliberate strategy aimed at attracting and retaining strategic global talent to keep the UK on the front foot of a globally competitive landscape, and involving deep stakeholder engagement across the sector.

We hope the findings in this report continue to inform important dialogue on strategic talent mobility policy. Our recommendations will strengthen UK competitiveness and economic growth and shape a holistic framework on migration and productivity to drive smarter policy decisions.

# Appendix 1: Defining productivity

An important starting point for the report was to contextualise how productivity is defined from an economic perspective. Productivity is the efficiency with which production inputs produce a given output level in an economy.[1] Production inputs include labour, capital and intermediate inputs, where intermediate inputs are used in production (e.g., energy, materials and services). Output includes gross output, which measures the total revenue generated by economic activity, and value-added, which can be understood as the difference between gross output and intermediate inputs.

This set of inputs and outputs informs the two most commonly used measures of productivity:

- Single-factor productivity
- Multi-factor productivity

The former compares a measure of economic output, such as gross output, with a single measure of production inputs (e.g., labour or capital). The latter, in contrast, compares a single measure of economic output against multiple inputs (e.g., labour and capital).

A commonly used measure of single-factor productivity is gross value added (GVA) or gross domestic product (GDP) per hour worked or per worker. This measure of productivity, defined as labour productivity, measures productivity as the quantity or value of goods and services produced per unit of labour input and is used by national and international organisations, including the Office for National Statistics (ONS), the World Bank and OECD.

The report uses this measure of productivity to draw out key insights on the relationship between talent mobility and productivity from selected studies in the UK and international literature to date.

# **Appendix 2:** The UK's International Technology Strategy – Science and Technology Framework

The UK's International Technology Strategy, published in March 2023, sets out the ambition for the science and technology (S&T) sector to be recognised internationally, specifically, the aim that *'by 2030, polling by the government will demonstrate that the UK is seen as one of the top three S&T nations in the world, and the leader in Europe'*.[1]

To make these objectives a reality, Rishi Sunak has set out 10 key actions 'under a bold new plan to cement our place as a global science and technology superpower by 2030 – from pursuing transformational technologies like AI and supercomputing to attracting top talent and ensuring they have the tools they need to succeed'.[2]

The 10 points from the new Science and Technology Framework are:

1. Identifying, pursuing and achieving strategic advantage in the technologies most critical to achieving UK objectives.
2. Showcasing the UK's S&T strengths and ambitions at home and abroad to attract talent and investment and boost our global influence.
3. Boosting private and public investment in research and development for economic growth and better productivity.
4. Building on the UK's already enviable talent and skills base.
5. Financing innovative science and technology start-ups and companies
6. Capitalising on the UK government's buying power to boost innovation and growth through public sector procurement.
7. Shaping the global science and tech landscape through strategic international engagement, diplomacy and partnerships.
8. Ensuring researchers have access to the best physical and digital infrastructure for R&D that attracts talent, investment and discoveries.
9. Leveraging post-Brexit freedoms to create world-leading pro-innovation regulation and influence global technical standards.
10. Creating a pro-innovation culture throughout the UK's public sector to improve the way our public services run.[3]

This plan aligns with the UK's continuing promise to focus on technology and migration to promote economic growth.

## Timeline of migration measures in the technology sector – growth plans from 2021 and 2022

**Points-based immigration system** to attract and retain highly skilled talent in science, academia, research and technology

**Build back better: our plan for growth** included the introduction of a global outreach strategy to give the UK a competitive edge in attracting talent

**2021**

**National AI Strategy** announced new visa routes to attract AI talent: High Potential Individual, Scale-up, and Global Business Mobility. The Innovator route will be revitalised and the government is looking into how to expand the Global Talent route

**Global Talent Network** announced in the Autumn Budget and Spending Review to identify and attract the best global talent in science and technology

**The Growth Plan 2022** reiterates the government's dedication to attracting and retaining highly skilled talent

**2022**

**The UK's International Technology Strategy** promises to 'bring the world's best talent to the UK' as part of the government's wider strategy to be seen as one of the top three science and technology countries in the world

**2023**

**£118 million skills package** announced to future-proof the UK's AI skills base. The package included the creation of a specialised visa for exceptional AI researchers

# **Glossary:** acronyms and abbreviations

| Acronyms and abbreviations | Full name/meaning |
|---|---|
| AI | Artificial intelligence |
| DESA | National Department for Economic and Social Affairs |
| EEA | European Economic Area |
| ESDE | Employment and social developments in Europe |
| EU | European Union |
| FPRS | Financial and professional related services |
| FSB | Federation of Small Businesses |
| FSSC | Financial Services Skills Commission |
| FS | Financial services |
| GCC | Gulf Cooperation Council |
| GDP | Gross domestic product |
| GSS | Global Skills Strategy |
| GVA | Gross value added |
| HBR | Harvard Business Review |
| HMT | HM Treasury |
| ICT | Information and communications technology |
| IFMS | International Forum on Migration Statistics |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |
| IOM | International Organization for Migration |
| IRCC | Immigration, Refugees and Citizenship Canada |
| MAC | Migration Advisory Committee |
| MGI | McKinsey Global Institute |
| NBER | National Bureau of Economic Research |
| NEOM | Large-scale development venture in Saudi Arabia seeking to establish an advanced, sustainable and technologically forward-looking city and economic zone. |
| NIC | National Insurance contributions |
| OECD | The Organisation for Economic Co-operation and Development |
| ONS | Office for National Statistics |
| PAYE | Pay As You Earn |
| SaaS | Software as a Service |
| S&T | Science and Technology |
| SME | Small and medium-sized enterprise |
| STEM | Science, Technology, Engineering, Maths |
| UN | United Nations |
| VAT | Value-added tax |
| WEF | World Economic Forum |
| WHO | World Health Organization |
| YMS | Youth Mobility Scheme |

# **Glossary:** terms and definitions

| Terms | Definition |
|---|---|
| Ageing population | Defined as people aged 65 and over. |
| Control variable | Factor (fact or situation) kept constant in a study. |
| Country of destination | Country that is the destination for a person or a group of persons, irrespective of whether they migrate regularly or irregularly. |
| Country of origin | Country of nationality or of former habitual residence of a person or group of persons who have migrated abroad, irrespective of whether they migrate regularly or irregularly. |
| Global talent | Used interchangeably here with 'international talent' and 'migrant' (defined below). |
| Gross outputs | The measure of total economic activity in the production of new goods and services. It is the difference between gross outputs and intermediate inputs. |
| Highly skilled worker | An individual who has special skill, training, knowledge and education to perform their job. Each country will set its own parameters of what qualifies as highly skilled from an immigration eligibility criterion. |
| Immigration | Movement of people from one location into another, usually for permanent reasons. |
| Intermediate outputs | Inputs that are used up in a production process (e.g., energy, materials and services). |

| Terms | Definition |
|---|---|
| International talent | Used interchangeably here with 'global talent' and 'migrant' (defined below). |
| Labour dependency | Ratio of those persons who are fully employed – all employed persons who are not in time-related underemployment versus the following dependents: (a) children below the age of 15 years, (b) persons aged 15 to 64 years who are outside the labour force, (c) all unemployed persons aged 15 years and over, (d) older persons aged 65 years and over, and time-related underemployed persons aged 15 years and over. |
| Maturity | Qualitative assessment of how well established each measure already is in global research data and analysis. |
| Migrant | For the purposes of this report, we adopt the MAC approach: people born abroad. |
| Migration | Movement of people from one location to another for any reason. |
| Mobility | Movement of global workforces from one country to another, usually employer-led, with relocation/assignment support depending on whether the move is temporary or permanent. |
| Multi-factor productivity | Multi-factor productivity (MFP) reflects the overall efficiency with which labour and capital inputs are used together in the production process. |

# Glossary: terms and definitions continued

| Terms | Definition |
|---|---|
| Old-age dependency ratio | The number of individuals aged 65 and over per 100 people of working age, defined as those at ages 20 to 64. The ratio depends on mortality rates, fertility rates and migration. This indicator is measured as a percentage. |
| Output per worker | Output per labour hour. |
| Productivity | Defined as labour productivity, it measures productivity as the quantity or value of goods and services produced per unit of labour input, and is used by national and international organisations, including the ONS, World Bank and OECD. |
| Remittances | Personal monetary transfers, cross-border or within the same country, made by migrants to individuals or communities with their links. |
| Single-factor productivity | Synonym for partial productivity measure. It relates output to one particular type of input. |
| Skill gaps | Difference (or gap) between the skills that an employer needs and the skills that their workforce (or a specific employee) currently has. |
| Wage growth | The rise of wages adjusted for inflation, often expressed in percentages. |

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## Foreword

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## Introduction

### Page 2

1. We were honoured to be invited to collaborate with the City of London Corporation (CoL) on this follow-up to earlier reports on migration policy and UK competitiveness. In 'Building an Immigration System for the Future of Work' we focused on how the UK could accelerate policy change to jump ahead of continued immigration disruption, and in later work we have looked at how policy choices on global mobility can enhance UK competitiveness for global talent. In this report, we bring together EY's global immigration expertise across 150+ countries, EY Item Club's economic analysis to bring a deep econometric understanding to the impact of migration on the UK's productivity and EY Skills Foundry research on talent gaps in the sector. We have also completed an investigative review of existing studies and interviews with leading experts to understand current research. Our research focussed on both UK-based and global studies and research. This report aims to support UK competitiveness and growth by providing policymakers with benchmarking of global talent mobility policies being adopted, and a comprehensive framework to better understand the positive impacts global talent mobility brings to economic productivity.
2. This is the approach taken by the UK government: New Plan for Immigration: legal migration and border control strategy statement 2021 (accessible web version) – GOV.UK (www.gov.uk): 'We want employers to focus on training and investing in our domestic workforce. But we also want to ensure that employers have access to the global talent that can complement the skills we already have in the UK'.
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2. Source: EY analysis based on the percentage of migrant workers in the City of London.
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HOME

## About the Global City campaign

The Global City Campaign is the City of London Corporation's overarching initiative to promote the UK as a world-leading international financial centre. It showcases the UK as a great place for financial and professional services firms to invest, locate and grow.

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## About the City of London Corporation

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK.

We aim to:

- Contribute to a flourishing society
- Support a thriving economy
- Shape outstanding environments

By strengthening the connections, capacity and character of the City, London and the UK for the benefit of people who live, work and visit here.

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