

INNOVATE / FINANCE

Policy Principles

The following section details the opinions of only Innovate Finance.



Policy Principles

This report, commissioned by Innovate Finance and produced by WPI Economics, has concluded that there are several factors which could impact on the overall attractiveness of the UK's FinTech ecosystem, the sector's continued growth, and the skills base that enables FinTech businesses to thrive.

Supported by the data, Innovate Finance have put forward a guiding set of policy principles to form the basis for further consultation across the FinTech ecosystem, and to ensure there is continued dialogue on the key issues raised in this report. Taken together, these principles will ensure future discussions recognise that flexible access to a global talent pool is vital, but so is the continued development of local talent.

Innovate Finance supports a flexible approach to the development of one immigration system that demonstrates complementarity between international talent and the UK's local skills base for FinTech.

As this report found, FinTechs continue to experience operational difficulties with the existing non-EEA immigration system on a day-to-day basis, particularly around:

- processing applications while the applicant remains overseas;
- understanding the complexity of rules surrounding the system;
- costs of the system, particularly for small fintech businesses;
- delays in applications having an adverse effect on businesses seeking to grow, or scale; and
- complexity of third-party sponsorship, on which many smaller businesses are reliant.

To mitigate this, we envisage a future system that is flexible enough to address these challenges. This will enable the UK to continue to attract overseas talent, especially those job creators from overseas to move or set up their businesses here. This also supports the complementarity that international talent brings to the UK, supporting the transfer of skills for UK residents seeking employment in such businesses.

FinTech is not just a beneficiary but a driver for enabling a future migration system which benefits the entire UK economy.

Recognising the scale of the challenge facing officials, industry might provide an avenue for collaboration with policy makers on identifying those practical technological solutions that will enable a frictionless system to exist. Current technologies being developed with a view to supporting EEA migrant applications during the forthcoming transition period could be expanded upon. Such innovations could also provide the necessary tools and the framework for a more flexible immigration system.

Smarter methods of sponsorship will enable costs to smaller FinTech companies to be reduced.

Accelerators and Incubator spaces could provide a means to bring down the cost of relying on overseas talent by being utilised as third-party sponsors. This could extend to the government also providing access to immigration specialists in such spaces thereby tackling the disproportionate cost of UK immigration for smaller businesses. It is important to ensure that within an already restricted global talent pool, addressing the cost and complexity of hiring overseas talent will remain critical.

We recognise that the definition of 'highly skilled' is not necessarily based on academic achievement but a more sophisticated analysis of experience.

Countries comparable to the UK often make a more nuanced distinction regarding the term 'skilled', taking a less arbitrary approach to these definitions by grouping occupations in different ways, for example by job tasks or experience, rather than solely by educational attainment. We support the adoption of this approach to tech roles as it allows for certain skills acquired by the workforce to be recognised without the basis of academic achievement, an approach that could also be beneficial to other sectors that require a multiplicity of different skills.

The UK should continue to undertake an assessment of key skills to understand where the gap in digital skills exists, creating a mechanism for training local talent.

Whilst the UK might lead on FinTech, the need to improve the domestic skills base through secondary and further education and other vocational training has existed for some time. We recognise the government's own commitment, highlighted in the UK Digital Strategy, to increasing the pipeline for specialist skills to support the tech industry. As such, continuing to bridge the informational gap by better understanding where digital skills shortages lie will provide a stronger evidence base for public policy, and in meeting training requirements for local talent.

The UK should continue to ensure by way of investment into education that the changing digital nature of the UK economy is reflected in the curriculum.

The government's own industrial strategy highlighted the UK's systemic "poor performance in basic and technical skills" and committed to the creation of "a proper system of technical education". We welcome the government's commitment to the creation of 'T-Levels' as an example of this policy being taken forward, and the continued support for STEAM subjects in education. According to this report, many FinTechs currently recruit from overseas due to a lack of applications from or skills of the UK workforce. The report does however recognise that importing skills from overseas is complementary to the existing domestic talent base and is a generational challenge which needs to be addressed. This alongside investment in developing a local tech talent pipeline will remain essential if the UK is to continue its comparative advantage in innovative sectors of the economy, such as FinTech.

FinTech has an economic and a societal value, beneficial to both the future of financial services as well as potential consumers, across the UK. We therefore look forward to ensuring there is continued success for UK FinTech by building on these policy principles in the coming months, and working with stakeholders across the financial services and technology industries, to present a series of recommendations aimed at addressing the challenges raised in this report. Critically, resolving how we are best able to develop local talent, whilst at the same time ensuring we are reducing the barriers towards creating and attracting a global talent pool, will remain important for the future growth and prosperity of UK FinTech.



INNOVATE | FINANCE