

CAYMAN ISLANDS CRACKDOWN ON EXPAT VISAS

BY Eric Sabo

A British Overseas Territory located about 270 miles south of Cuba, the Cayman Islands has registered at least 10,900 funds, more than any other Caribbean island.

Jennifer Smith was so taken by the mix of white sand, blue waters and modern offices when her cruise ship called at the Cayman Islands that the New Jersey accountant found a job and moved to what she calls paradise.

Enlarge image Paradise Lost Facing Expats in Cayman Work Visa Crackdown

About 2,000 foreigners face expulsion from the Cayman Islands in October when their work visas expire.

“We still have regulatory deadlines and long hours, but if I need a break, our office is right across from the beach,” said Smith, 29, who has worked the past three years at financial services company BDO Cayman Islands, and has no plans to leave. “It’s hard to imagine going anywhere else.”

Yet foreign workers face that prospect and new arrivals could find it tougher to make the island their home as restrictions tighten. With unemployment among local citizens exceeding 10 percent, the offshore financial center is reining in the number of staff that funds, accounting firms, construction companies and hotels hire from abroad. Limits on expatriates, who make up half the island’s 39,000 workforce, will ensure more jobs for Caymanians, said Eric Bush, the nation’s chief immigration officer.

“We’ll always need a certain level of foreign labor, but it’s about finding that right balance,” Bush said in a phone interview. “We’re a small nation that cannot have an influx of individuals who may turn out to be a burden.”

About 2,000 foreigners face expulsion in October when their work visas expire. Premier Alden McLaughlin, who took office last month, has made it “quite clear” to his immigration department that he wants to find a way to keep them while still reducing unemployment for Caymanians, Bush said. The island also wants to remain hospitable to its offshore finance industry.

Seeking Balance

In seeking a balance, McLaughlin’s ruling party has vowed to require foreigners work on the island for 10 years before they can apply for citizenship, up from seven now. The government also plans to scrap a provision that enables companies to pick “key” workers who could extend their stay for two-year increments indefinitely, which is “effectively controlled by employers and unfair to employees” and prevents Caymanians from getting

the same jobs, according to a report on term limits completed for the government last year.

Calls by Caymanians and politicians to tighten immigration rules have risen as unemployment among Cayman citizens rose to 10.5 percent last year from 9.7 percent in 2011. In contrast, 2.4 percent of expatriates were out of work compared with 3.1 percent in the same time periods, labor statistics show.

Most of the job losses have been in construction and hotel services, yet those have “exacerbated” tensions with locals in financial companies that rely on foreign workers, said Chris Duggan, president of the Cayman Islands Chamber of Commerce.

Financial Industry

Companies are training more locals for financial industry jobs, he said. “We’re going to have a wave of well-educated Caymanians come through the ranks of finance one day,” Duggan said. “For now, we don’t have enough to fill these positions.”

A British Overseas Territory located about 270 miles south of Cuba, the Cayman Islands has registered at least 10,900 funds, more than any other Caribbean island. Financial services account for 8.9 percent of jobs, according to its statistics agency.

Moody’s Investors Service affirmed Cayman Islands bonds at Aa3 in February, the same as Bermuda and China, citing incomes of \$53,253 per capita that help buffer the population against natural disasters. Even so, tourism and finance contribute more than 70 percent of gross domestic product, “a sign of limited diversification” that leaves the country vulnerable during a downturn, Moody’s said.

While there are steady openings for fund managers and legal jobs, companies are under pressure by the government to hire locally and face costly fees to bring in foreign workers, said Gillian McMahan, a job recruiter with the Grand Cayman-based employment agency Baraud.

Hire Caymanians

“There is a want to fill positions with someone from Cayman whenever possible,” McMahan said in a telephone interview. “It’s definitely a consideration with every hire if it’s going to be Caymanian or foreign.”

A two-year work permit for a foreign auditor can cost \$16,500 and large firms may pay more than \$21,000 for a visa for financial controllers, according to McMahan.

The situation facing the 2,000 foreigners whose visas are scheduled to expire in October arises from immigration changes in 2004 when the government adopted a seven-year term limit instead of the indefinite policy that had existed. Foreigners would have to leave for at least a year, though companies could apply to have “key employees” exempted.

Limit Eligibility

The law is meeting its purpose of limiting the number of people eligible to become permanent residents or apply for citizenship, which is possible in the eighth year of residency, the report found. As the seven-year limit, known locally as the “rollover,” approached in 2011, the government allowed terms to be extended for up to two years while a review committee completed its report and to allow changes in the laws to be adopted.

“The rollover will destroy my life as I have given 14 years to this island,” said one unnamed survey respondent in comments included in the study. “Have made this my home and now you want to kick me out.”

While the Cayman Islands tightens conditions for expatriates, Bermuda has loosened them, ending a limit on how long foreigners can work there as it seeks to lure funds and reinsurance companies.

Abolishing limits “will help spark economic growth and create employment opportunities for Bermudians,” Home Affairs Minister Michael Fahy said in a Jan. 30 statement after the rule was changed.

Bermuda Unemployment

About 10 percent of Bermudians were unemployed last year compared with 2 percent of foreigners, with financial services and “international business activity” accounting for the largest number of jobs, according to a 2012 labor survey by island nation’s government.

Cayman’s restrictions on foreign workers have made it harder to recruit employees and caused office tensions between islanders and expatriates, according a survey of about 100 business owners that was commissioned as part of last year’s report for the government.

In responses of 384 Caymanians in that same survey, 58 percent said they wanted “keep or modify” foreign work restrictions, with one saying that it was “unfair” that foreigners held jobs when “Caymanians needed a chance at moving up the corporate ladder.”

About 2,600 expatriates worked as fund administrators and accountants in the Caymans as of December, 2011, the most after service jobs such as bartenders and beach attendants, the report found.

Have Roots

“There’s a worry that people will have to leave,” said Joanna Boxall, who runs a website for expatriates working on the island, caymannewresident.com. “Accountants and lawyers have bought houses, they have roots here,” she said. “Law firms are booming, banks are doing well, and they still need experts.”

<http://www.bloomberg.com/news/2013-06-14/paradise-lost-facing-expats-in-cayman-work-visa-crackdown.html>

