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## REFORM MODEL

### A Novel Two-Track Labour Migration System for Germany

*Panu Poutvaara, Marcus Drometer,  
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## RESEARCH REPORT

### The Effect of Visa Policies on International Migration Flows

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### Highly Skilled Labour Migration in Europe

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## NEWS

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## FORUM

# Labour Migration

*Herbert Grubel, Massimiliano Tani, Marc Helbling,  
Robert Holzmann, Holger Kolb, Alessandra Casarico,  
Silke Uebelmesser*





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# Labour Migration

*Herbert Grubel*

## Canadian Immigration Policies: Blueprint for Europe?

The European Community and its member countries are searching for solutions to the problems caused by the ongoing flood of migrants from abroad. One solution widely discussed involves the adoption of the system used by Canada to determine the number and characteristics of migrants admitted (Slater 2015 and Meardi et al. 2016). When considering the adoption of the Canadian model, policymakers need to know that while it promises many benefits in theory, in practice it is seriously flawed and may not serve Europe well.

The model has the following basic features. The government annually submits an immigration target for the year to parliament, which is routinely approved without debate. In 2017 the target was 300,000, up from 280,000 the year before and 240,000 on average during the years 2006-2016. It is slated to rise to 350,000 by the year 2020. Since the mid-1980s, the target has been set to ensure that immigrants represent around .75% of the existing population.

The immigrants are selected by Canadian officials from a large pool of applicants and are granted visas after assignment to four different categories (see Government of Canada (1)), the largest of which represents “Economic immigrants”, who are mainly skilled workers, but also includes their accompanying spouses, partners and children, investors, the self-employed, carers and entrepreneurs. Economic immigrants account for 58% of the total number of immigrants.

The second class are the “Family class immigrants”, one quarter of which are parents and grandparents and three quarters are the spouses, partners and children of immigrants who had not accompanied their spouses when they first settled in Canada. They account for 28% of the total, while “Refugees” (also known as Refugee Claimants) make up 13% and “Others” 1% of the total.

Economic migrants are selected via a points system (Immigration Canada (2)) that assigns a maximum of 25 point for the level of education, 24 points for language proficiency in English or French, 21 points for work experience and 10 points each for age, arranged employment and adaptability. To be admitted, economic migrants need to have at least 67 out of 100

possible points and, like all immigrants, must meet health and security requirements. A small number of economic immigrants are admitted without use of the points system by provincial governments to meet special local needs.

Recently, this system was modified (Semotiuk 2016) via the creation of a class of applicants with “Canadian work experience”, which, in turn, was modified by the introduction of the class qualifying for “Express Entry”. The main goal of these modifications was to enable a large number of foreign students who have completed a university education in Canada to receive immigrant visas more easily and quickly since they have demonstrated their knowledge of English or French and likelihood of economic success through their educational achievements.

Applicants in the investor class (Government of Canada (3)) do not have to pass the points test and up until 2014 they were admitted if they could show that they have business experience, a net worth of at least CAD 1.6 million and will invest at least CAD 800,000 in Canada. A new programme (Canada Visa (No date)) requires that they have a net worth of at least CAD 10 million and the funds to invest CAD 2 million for 15 years in the Immigrant Investor Venture Capital Fund.

Parents and grandparents are granted immigrant visas if their offspring who are already in Canada commit to cover their living and medical care costs, and if the annual quota allocated by Parliament is not exhausted.

Canada’s handling of its international obligation for the admittance of refugees (Historica Canada (No date)) should be of particular interest to Europeans. Canada supports refugees escaping the turmoil of civil wars and unrest indirectly through financial grants to international agencies that operate refugee camps abroad. One reason for this policy is that “It takes from USD 25,000 – USD 40,000 to settle a refugee in a third country, whereas the costs of protecting and caring for a refugee in a camp are a fraction of that amount.” (Bissett 2015). The other reason is that these types of refugees will and should return to their home countries, where they have strong ties, after the end of hostilities. It is believed that if they settle in Canada, they are likely to remain and will be lost to their native countries’ reconstruction efforts.

Refugees who flee persecution, torture and the threat of death and reside in international camps are interviewed by Canadian officials who travel to these camps. Under the 2017 plan, immigration visas are granted to 40,000 of the neediest of them. Refugees



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asking for acceptance at Canada's airports have been very small in number relative to those resettled from camps abroad because of effective agreements with airlines to prevent potential claimants from boarding without a visa.

Canada has no problems protecting its borders from illegal immigration of the sort that plagues Europe. Canada's long coast lines are difficult to reach by small boats from overseas and past experience shows that large ships will be turned away, meaning that none have attempted access for many years. Agreements with international airlines have been used successfully to restrict the arrival of asylum seekers at Canada's airports.

Canada's land border is, in principle, protected from the inflow of asylum seekers by the Safe Third Country Agreement with United States (Government of Canada (4)) under which refugee claimants can be turned back on the grounds that they are leaving a safe country and are shopping for access to more generous social assistance programs. Canada's government is proud of its policy of selecting immigrants regardless of their ethnic, racial or religious backgrounds.

#### WHAT LESSONS CAN EUROPE LEARN?

Which aspects of the Canadian model could be used in the design of a rational and publicly acceptable policy for the European Union and its members?

The Canadian model teaches no lessons that could help in dealing with Europe's pressing problem of how to more effectively protect its borders from asylum seekers, how to deal with the perceived threat to its religious and cultural institutions or practices, and how to protect the public from terrorism.

The main appeal of the Canadian model to European policymakers stems from its presumed success in selecting immigrants who benefit their countries by raising the income of their populations, tax revenues and contributions to social insurance programmes.

The first effect is the subject of much disagreement among economists. Conventional price theory suggests that immigrants' pay equals their marginal contribution to output, and as they use their income to buy an equal amount of goods and services, the incomes of native workers are unchanged. Some economists argue that native workers benefit because immigrants offer them the opportunity to trade and complement them at work and raise their productivity. The value of these effects is very difficult to estimate, but at best is very small relative to the fiscal burden caused by Canadian immigrants in recent decades.

The main cause of this fiscal burden is that Canadian immigrants who arrived after 1986, had average incomes in 2005 equal to only 70% and pay income taxes equal to only 54% of the average paid by other Canadians, but they absorbed the same amount of government services as other Canadians in the form of free healthcare, educational and social programmes

and through spending on the protection of persons, property, the environment and the many other spending programmes characteristic of modern industrial countries. This information on the performance of recent immigrants is provided by Statistics Canada and is used by Grady and Grubel (2009) to consider their implication for government policy.

The difference between the taxes paid and benefits received by the average recent immigrant has been estimated in the Grady-Grubel study to total around CAD 6,000 per year. Considering the total number of immigrants in 2013, this difference implies that they imposed a fiscal burden of about CAD 30 billion on other Canadians that year. This burden increases with the arrival of rising numbers of immigrants.

The CAD 30 billion represents around five times what Canadian governments spend on foreign aid and foreign affairs and equals 70% of what they spend on the military and the protection of persons and property.

The idea that immigrants can prevent the pending insolvency of unfunded public pension programme is illusory. Immigrants reduce unfunded liabilities while they are young, but increase them once they retire. Computer simulations show that immigrants can only reduce unfunded liabilities if their numbers increase continuously to offset this ageing effect. For immigrants to offer a solution to the problem of unfunded liabilities, annual inflows would soon reach unsustainable levels (Banerjee and Robson 2009).

#### WHAT EXPLAINS THE MODEL'S FAILURES?

One explanation for the system's poor economic performance is that in 2015 only around 30% of all immigrants, the so-called principal applicants passed the points test. The other 70% consist of their spouses and children, parents and grandparents, and refugees whose economic prospects were not assessed.

Investors, who might be expected to have high incomes and pay high taxes, fail on both grounds because many of them invest their money in housing, rather than productivity-enhancing business capital and continue to live in their native countries and pay income taxes only there. Their spouses and children live in the houses they have purchased and live on non-taxable transfers from the investor, while they use Canada's free health, education and other social programmes.

Due to these problems, the system described above was changed in 2014, meaning that investors now face far stiffer requirements to qualify for a visa, which has led to a dramatic reduction in number of investor immigrants and the damaging practices described.

Another explanation for the poor economic performance of recent immigrants is that the quality of their education and skills required by the Canadian government (Government of Canada (5)) does not actually meet Canadian standards because the foreign institutions of higher learning responsible for documenting

the immigrants' educational attainment levels themselves have lower standards.

For example, Canadian employers with immigrants who have an engineering degree from an Asian university often only use it to prepare engineering drawings, rather than to design buildings and bridges. Another example involves immigrants with certificates qualifying them to work as medical doctors. Most of them are unfamiliar with Canadian institutions, practices and pharmaceutical products and take a long time to pass Canadian examinations that qualify them to practice medicine in the country.

The poor economic performance of immigrants admitted on the basis of their high selection points is exacerbated by the fact that some may have used forged certificates of educational and language attainments (Green 2009). No reliable estimates exist of the magnitude of this problem, but the internet offers many business addresses for the purchase of fake certificates (Diploma Company (no date)).

Labour market discrimination has been cited as an explanation for the low incomes of recent immigrants. Such discrimination may exist, but its importance is diminished by the fact that for some time many businesses in Canada have been run by immigrants who, according to the work of Nobel laureate Gary Becker (summarised by Murphy 2015) may be expected to hire underpaid immigrant workers to maximise their profits, but who raise the wages of the workers suffering from discrimination by other Canadian employers in the process.

#### OTHER PROBLEMS WITH THE CANADIAN MODEL

Canada's immigration model has had some other effects that do not increase the well-being of the general population. Thus, as data on incomes show, immigrants have increased the supply of low-skilled and low-paid workers, many of which filled jobs that Canadians are unwilling to accept at existing wage levels. This fact is praised widely, but it also has an important down-side.

These immigrants depressed the wages of all low-skilled workers and increased the incomes of employers and professionals. Aydemir and Borjas (2007) conclude that immigration decreased the earnings of Canadian high school dropouts relative to the earnings of workers with at least a college diploma by at least 12%. The inequality of Canada's income distribution has increased significantly as a result.

The hiring of low-skilled and low-wage immigrants has had an additional negative effect. It reduced the incentives of employers to invest in labour-saving capital and technology. Such investment would have raised the productivity and wages of Canadian workers and made them more willing to accept the jobs that they had previously shunned as underpaid. These benefits could have been attained while the profits of employers remained unchanged.

#### ABSORPTIVE CAPACITY AND PARLIAMENT

Parliament setting the annual number of immigrants has not worked well for Canadians, as there are important indications that it exceeds the country's economic and social absorptive capacity.

Most of the immigrants have settled in Montreal (14%), Toronto (40%) and Vancouver (15%) to join communities of people from their home countries (Metro Vancouver (no date)). Virtually none have settled in Canada's vast, thinly populated areas because they are not well-suited for human habitation and have been losing jobs and residents since farming has become increasingly mechanized.

Every week around 250 immigrant families have been adding to the demand for housing in the Greater Vancouver area and 400 in Toronto (Government of Canada (2), Statistics Canada 2017). This additional demand has contributed significantly to the increase in the cost of housing in these two cities, which is viewed by many to have reached a crisis level. Speculators, who are often blamed for these price increases, are merely anticipating their continuation and move forward in time the expected future excess demand for housing. Price increases are largely caused by high influxes of immigrants as a result.

Importantly, these sizeable additions to the population in these major cities have also taxed the capacity of the cities' road, water, sanitary, transit, recreational, medical and educational facilities to the extent that traffic congestion, wait-times for medical treatment and access to public recreational opportunity facilities are imposing massive economic costs and inconveniences on the population.

Advocates of the present level of immigration argue that all of the costs described above would disappear if the supply of transportation infrastructure, housing, hospitals, schools etc. kept up with demand. These advocates blame governments' inadequate funding and excessive regulations for the existing problems (Lammam and MacIntyre 2017). This proposition is valid, but misses the point that the political system has now proven incapable of providing the funding and deregulating the construction industries to prevent the housing crisis and the crowding of public facilities for several years. In addition, the fiscal burden caused by recent immigrants reduces the amount of government funding available for housing and infrastructure.

Yet, the solution to, or at least the alleviation of these costly burdens on Canadians, could be a number of policy changes such as: replacing letting Canadian employers rather than civil servants select immigrants as the former have powerful incentives to hire only those applicants whose wages match their productivity; and who, in order to ensure that the taxes they pay at least match their use of public services, are required to hire only immigrants whose wages are at or above the average for the region in which the employers are

located. Investors should be required to put their funds into productive business investment and pay taxes on their incomes abroad. In the future, parents and grandparents should not be granted immigrant, but only visitor visas (Grady and Grubel 2015).

Other possible policy changes would be to temporarily reduce the number of annual immigrants significantly to, for example 50,000, which would put a stop to mass immigration, but would allow the beneficial flow of migrants that have crucial skill sets they can use to serve the interest of the economy and society. After the construction of housing and infrastructure has caught up with demand, and the absorptive capacity of the country has been determined in the light of recent developments, the number of immigrants per year can be changed to the optimum level.

The following policy changes were suggested to me in a personal email by James Bissett, a former Ambassador and former head of Canada's immigration service run by the federal government:

*Cutting down on the numbers; concentrating on younger immigrants (we used to give 10 points extra for those under the age of 40 years); insisting that professional and skilled trades people confirm through Canadian sources that their credentials will be accepted on arrival; giving parents and grand parents an unlimited temporary visa which allows them to remain indefinitely here with their sponsors but does not give them access to free medical and other services available to Citizens; increasing substantially our dollar contribution to the UNHCR's efforts to care for refugees in favour of resettling refugees in Canada (the cost benefit favours this kind of policy); adopting an asylum policy that prohibits anyone from applying for asylum if coming from a "safe country" (one that is a signatory to the UN Convention, or is a democratic country following the rule of law); insisting that immigrants in the economic/labour force category be seen and interviewed by professional, career and experienced visa officers to determine the applicant's credibility and chances of quickly becoming established on his/her arrival in Canada.*

Politicians have ignored the call for the kinds of reforms suggested above, despite the fact that a 2017 opinion poll showed that 57% of Canadians agreed with the statement that: "Canada should accept fewer immigrants and refugees" (Todd 2017) and a government survey conducted in August 2016 found that 54% of Canadians believed that the annual immigration level should be below 150,000. The same poll showed that between January and August 2016 the number of Canadians who believed that there are too many immigrants rose by 7 percentage points (Government of Canada (6)).

The reason why politicians have ignored the call for immigration policy reforms is rooted in public choice theory (Lee 2012): politicians are afraid that powerful and highly motivated interest groups will reduce their financial and electoral support and thus threaten their parties' election chances if they adopt policies leading to reduced immigration.

These interest groups consist of immigrants already settled in Canada who want to see their communities grow in numbers and political influence; employers wanting cheap labour and larger markets for their output; the construction and real-estate industries benefiting from the growth in the residential housing market; the home-owners who enjoy large capital gains on their property; the builders of transportation infrastructure facilities who are needed to deal with traffic congestion; the professionals who enjoy the larger markets for their services as supervisors in businesses, teachers and professors; the civil servants and welfare workers who are paid to serve the needs of immigrants and the vocal groups or idealistic individuals who believe that it is Canada's responsibility to reduce poverty and suffering in the developing world and whose views are spread widely by the media.

Lined up against this collection of powerful, rich and idealistic supporters of present immigration policies are the overwhelming numbers of Canadian voters who are too busy working and caring for their families to have the time to inform themselves about the burdens immigrants impose on them, especially since the interest groups and politicians, aided by the media, very effectively hide or deny the damage mass immigration is doing to their interests (Munger 2017).

Canada's first-past-the-post electoral system discourages the foundation of anti-immigrant parties similar to those that have emerged in a number of European countries, where proportional representation has allowed such parties to achieve substantial electoral successes and gain seats in parliament; and which have influenced the debate over and the design of immigration policies. Canada's immigration policies will remain unchanged, at least until the adoption of proportional representation for elections. The present Liberal government under Prime Minister Justin Trudeau promised to deliver proportional representation in its election campaign, but has failed to implement this reform after two years in office.

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## Massimiliano Tani Using a Points System for Selecting Immigrants



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### INTRODUCTION

A point-based system to select immigrants is an approach based on scoring a set of observable determinants of productivity like age and education, which lead an immigrant applicant to qualify for permanent residence when a minimum threshold, set by the host country's immigration authorities, is reached. This selection mechanism typically applies to economically-motivated immigration. Its key feature is to effectively transform the decision to grant permanent residence into a relatively transparent administrative, as opposed to a political process that is easy to implement and adjust when circumstances change.

Varying points are assigned to observable characteristics that are considered good predictors of individual productivity such as age, host country language skills, educational qualifications and achievements, as well as relevant work experience. Information about the characteristics attracting points and their relative weight is generally sourced from domestic employers and empirical research on the economic outcomes of previous immigrants. Upon passing the point test, applicants are still required to pass additional minimum standards in areas like health, as well as social and cultural integration.

Point-based systems regulate the immigration of large volumes of economic immigration in Canada, New Zealand, and Australia. Past experience from these three destination countries suggests that the point-based system admits those possessing the desired observable characteristics (Tani 2014). Host country citizens are generally supportive of selective immigrant policies, as these are perceived as an essential tool for the orderly management of population inflows. These features underpin some of the reasons why the merits of introducing a selective immigration mechanism are regularly raised in policy discussions in host countries that do not apply such a mechanism, especially at times of surging and apparently uncontrollable immigrant flows.

A point-based immigration system, however, does not guarantee complete success in removing local skills shortages, nor does it secure a positive labour market outcome for every selected migrant. Migrants' skill mismatch and discrimination seem to differ little internationally, regardless of whether or not host countries have adopted a point-based selective immigration policy. This raises the question of whether the success of an immigration policy can be evaluated

using migrants' subsequent labour market outcomes (Tani 2017).

These considerations caution towards the provision of unconditional support for using a point-based system. They also suggest that valuable insights for policy discussions may be gained by looking at the most recent policy developments in the countries that have historically applied such selection mechanisms, as finely-tuned policies typically address the drawbacks of previous norms. In this respect Australia's initiatives are worth studying. Over the past year immigration authorities have been reforming the criteria for temporary migration. Temporary migration was previously uncapped, supplying large volumes of applicants to the permanent point-based migration programme. To prevent such arbitraging and abuse between the relatively relaxed temporary-migration qualifying criteria and those applied to permanent residence (e.g. salaries below minimum wage rates), the criteria have been reformed. While those changes continue to rely on employers to attract suitably skilled migrants, the new restrictions on the number of occupations effectively experiencing skill shortages, along with new requirements relating to work experience, minimum language skills and salary rates, are intended to better screen migrants who, once onshore, decide to apply for permanent residence. The reform is ongoing, with additional changes expected in March 2018, but the recent changes highlight the general need for a holistic approach to the design of migration policies, so that the reasons for selecting migrants based on a points system are not compromised by the possibility of carrying out the same tasks in other, non-screened visa categories.

### ORIGINS

The points system embeds an economic approach to migration policy that has its origins in the 1950s, when insufficient inflows of temporary immigrants to sustain persistently high employment growth in the years of reconstruction that followed World War II raised calls for the introduction of migration policies addressing the needs of the labour market, rather than meeting population size targets.

Since then, migration policies have started to take into account employers' calls for migrants able to satisfy their production requirements. This was initially addressed by opening up the set of countries from which potential immigrants could be drawn, while remaining within the family reunification/sponsorship categories that regulated most migration flows in the post-WWII period. As new applicants were often not employable due to their poor language and literacy skills, a separate migration stream was created from the late 1960s onwards to exclusively cater for economically motivated migration. Canada was the first destination country to create a new visa class for "skilled" immigrants in 1967, who were assessed according to

a points system. It was followed by Australia in 1988 and New Zealand in 1991. Over time, the fine-tuning of migration policies to address skill shortages in the domestic labour market has led the points systems of these three countries to evolve in different directions. Canada has opted for population growth and highly qualified migrants, downplaying past work experience. Australia targets migrants that can ease current skill shortages and be immediately employed. New Zealand follows a mixed approach that includes labour market needs and population growth.

Several other countries, including Singapore, Hong Kong, Japan, the United Kingdom, Denmark, Sweden, and the Czech Republic, have adopted a points system in recent years, but on a reduced scale. Other countries, including the United States, are considering<sup>1</sup> the introduction of a points system to counterbalance fears of uncontrolled inflows of immigrants that resonate with broad swathes of the native population.

### THE POINTS SYSTEM AS A FILTER OF MIGRANTS' SELF-SELECTION

Migration is generally seen as the outcome of a cost-benefit analysis, where individuals or households compare the net expected benefits of staying in the home country to those obtained by moving elsewhere (Sjaastad 1962). As personal characteristics and circumstances differ, migration is not a random phenomenon, but the result of self-selection. Migrants' self-selection, however, is not always welcome news for the host country, as migrants can be either positively or negatively selected respectively, implying that they are at the top or bottom part of the ability distribution of their countries of origin.

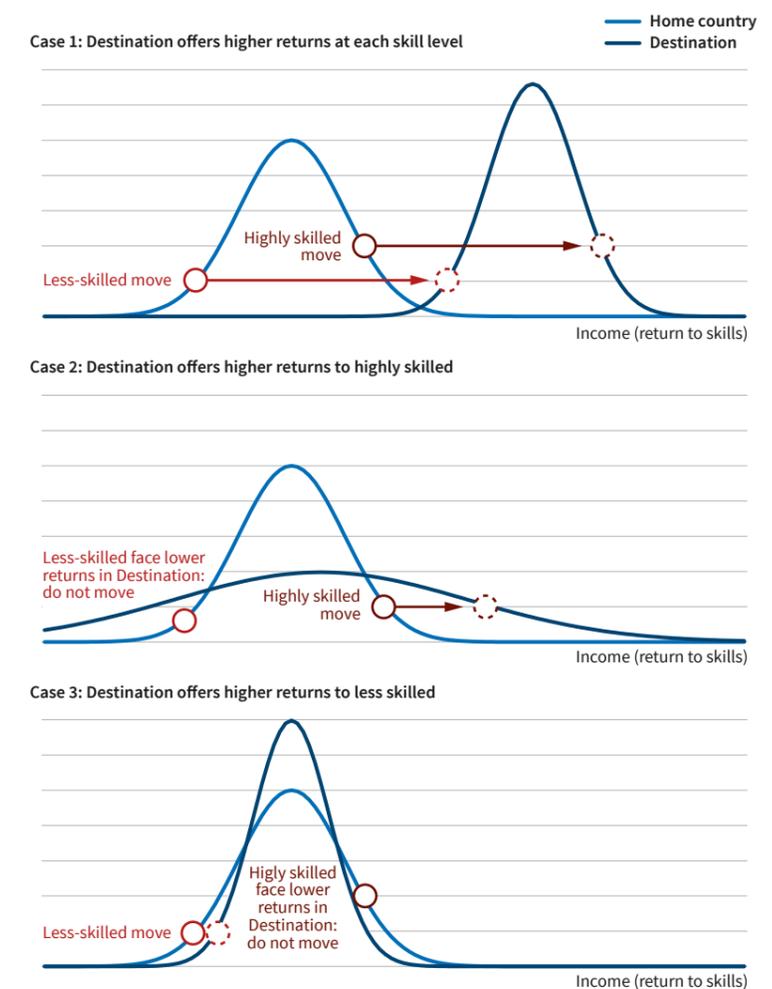
The economic literature on this issue generally considers income inequality of home and host countries as key indicators for gauging whether migrants are positively or negatively selected (Roy 1951; Borjas 1987 and 1991). This approach is based on the hypothesis that

the distribution of ability in each country's population is reflected in income distribution. In other words, income (a price measure) contains by assumption all the information about an individual's productivity and worth in the labour market. When home and host countries place a similar value on abilities, then average incomes per capita are similar<sup>2</sup>. However, if income inequality is higher in the host country, for instance, then the most able individuals from the home country will find it attractive to migrate there, as their ability is better rewarded. Conversely, the least able individuals of a host country will find it attractive to migrate to a home country with a more compressed income distribution, because this

<sup>2</sup> Of course, average differences in incomes between home and host countries play a critical role in determining who migrates where, as does the quality of the information set facing migrants. If information is complete and average incomes at home are below those of the host for each level of skill, then every home citizen will have an incentive to emigrate. If the information is incomplete or imperfect, then 'irrational' migration behaviours may be observed (e.g. Mbaye 2014).

Figure 1

#### How Self-Selection Works



Source: Tani (2014).

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Table 1

**Points System for a Single Individual: Maximum Points Available, Excluding Bonus Points**

	Canada		Australia		New Zealand	
	Max pts	%	Max pts	%	Max pts	%
Language proficiency	28	<b>28</b>	20	16.6	Must have	
Education	25	25	20	16.6	55	30
Age	12	12	30	<b>25</b>	30	16
Skilled occupation in host country			Must have		60	<b>32</b>
Work experience	15 (g)	15	20 (s)	16.6	30	16
Sponsorship	10 (e)	10	5–10 (r)	8		
Other	10	10	20	16.6	10	6
Total	100	100	120	100	185	100
Pass mark	67	67	60	50	100	54

Notes: (g) = generic; (s) = skilled; (e) = employer; (r) = state government. Bold proportion indicates largest component. Source: Figure 1 in Tani (2014).

is where their ability is best rewarded. This approach is illustrated in Figure 1, sourced from Tani (2014).

A selective immigration policy becomes relevant if the host country has a relatively high average income compared with the home country (most home citizens would want to emigrate), a compressed income distribution (low-skill/low-ability home citizens want to emigrate), and possibly a comprehensive welfare system for its low-income earners<sup>3</sup>. It is perhaps no coincidence that Canada, Australia and New Zealand have implemented a points system that effectively keeps out low-skill prospective immigrants, as they are all high-income, high-tax, high-welfare countries with relatively compressed income distributions.

Keeping out low-skill immigrants in favour of skilled immigrants may not only “protect” the host country’s welfare system and address its domestic employers’ needs, but also offer an automatic mechanism to stabilise income inequality trends between skilled and unskilled native workers. This is because the earnings growth of skilled immigrants will be constrained (as there will be plenty of them), whereas unskilled (native) workers will be in shorter supply, and will therefore command higher wages.

One important caveat of applying a points system to select immigrants is the need to have regular data collection and a revision of the policies in place, which add to costs of such a system.

The effects of imposing restrictions using a points-based system are discussed in several papers on immigration<sup>4</sup>, especially with reference to the determinants of selection on education (McKenzie and Rapoport 2010; Beine et al. 2011) and the influence of immigration policies on the selection process from both a theoretical (Docquier et al. 2007; Bertoli and Brucker 2011;

<sup>3</sup> Clemens and Pritchett (2016) test the idea that restricting migration from low-income countries could be efficient because it prevents migrants of countries where average productivity is low from “transmitting” their lower productivity to high-income countries, where average productivity is high. The authors find that current restrictions to migration are still excessive for the ‘low productivity contagion hypothesis’ to be empirically supported based on current migration flows.

<sup>4</sup> Examples are Borjas (1987), Antecol et al. (2003), Chiquiar and Hanson (2005), Jasso and Rosenzweig (2009), Moraga (2011), Ambrosini and Peri (2012), Dequiedt and Zenou (2013), and Kaestner and Malamud (2014).

Bertoli and Rapoport 2015) and an empirical perspective (Antecol et al. 2003; Jasso and Rosenzweig 2009; Aydemir 2011; Belot and Hatton 2012). The key message in Bertoli, Dequiedt and Zenou (2016), for example, is that screening potential migrants based on observable characteristics, and especially education, may reduce admitted migrants’ quality because education also influences migrants’ self-selection due to variables that are not measured like ability and motivation. An increase in selectivity based on education may lead to the admission of less able and motivated migrants. After all, history shows that successful migrants, like entrepreneurs, tend to be highly motivated and hard-working, but do not necessarily hold high levels of formal education.

#### INTERNATIONAL DIFFERENCES IN THE APPLICATION OF A POINT-BASED SYSTEM

The key economic principle underpinning the points system is the set of observable characteristics that attracts immigrants who make a positive economic contribution to the host country. Points are generally awarded to:

- Young immigrants, who benefit the host country through longer work lives and their lower likelihood of claiming welfare benefits;
- High levels of formal education or vocational training, as this human capital can be immediately employed with no further training costs for the host country. These characteristics are also associated with high levels of adaptability and mobility, which help to minimise time out of the labour force or unemployment spells;
- Proficiency in the host country’s language is high, as this reduces retraining costs while facilitating integration and speedy access to labour market opportunities.

Notwithstanding this basic framework to award points, there are significant differences in the ways in which Canada, Australia, and New Zealand apply a points-based system, as illustrated in Table 1, sourced from Tani (2014).

Canada focuses on population growth and the selection of immigrants with a high level of human capital, which it values as a fundamental long-term resource for its domestic productivity. Canada also admits about 1% of its population each year as immigrants regardless of the state of its economy, and its points system overvalues formal education and language proficiency and undervalues specific work experience. Since 2003, for instance, no points have been given for the prospective immigrant’s intended occupation, and points for previous work experience have been reduced.

Australia follows a utilitarian approach, viewing migrants as a short-term resource to alleviate skill shortages that can be immediately used by domestic employers. To select suitable applicants from the outset, prospective immigrants are initially streamed through the pre-assessment of their skills and work experience via an online expression of interest. The highest-ranked candidates are subsequently invited to submit a formal application. Since the late 1990s Australia has created a temporary migration scheme with relatively low restrictions allowing employer-sponsored migrants to enter its labour market for up to four years. This scheme did not have a cap, being entirely demand-driven, but allowed admitted temporary migrants to apply for permanent migration before the expiry of their temporary visa. This option of using foreign workers to fill for alleged skill shortages without subjecting them to the controls imposed by the points system has led to some excesses in the use of the scheme. Recent reforms (2017–2018) have seen the overhaul of temporary employer-sponsored immigration, with the creation of a two-year programme with no possibility of applying for permanent residence, and a four-year programme (with the option of applying for permanent residence) open to a restricted set of highly skilled occupations and imposing more onerous conditions on employers.

New Zealand follows a balanced approach, mixing the objective of population growth with that of labour market needs. Its points system favours skilled workers who have already gained relevant work experience in New Zealand under a temporary visa. Formal qualifications also carry considerable weight, while a minimum score of formal tests of English proficiency is mandatory.

#### THE FUTURE OF THE POINTS SYSTEM

Notwithstanding that the points system is an effective tool in selecting applicants with desirable characteristics because it can be easily changed to reflect new circumstances, the policy debate over its prospective introduction should include topics that sometimes are not given the attention that they deserve.

The first relates to the critical need for regular and detailed information on the selected migrants’ labour market outcomes. The monitoring of migrants’ performance is sometimes left to surveys covering only the first couple of years spent by new settlers in a host country, if at all. This is valuable, but insufficient as the points system is generally used to grant a permanent leave to stay, and important aspects of the policy can be better assessed with longer longitudinal data collection. Examples include relocation, job changes, and the convergence of economic outcomes with the native population and previous immigrant cohorts. These data requirements are now easier to fulfil thanks to technologies that make it possible to link data from multiple sources (from the immigration office and tax authority, for example). Yet the topic is hardly included in public discussions of the merits and drawbacks of a points-based system for selecting immigrants.

The second topic is the extent to which one should count on, or evaluate the effectiveness of, migration policy when using indicators determined by the domestic labour market. In this respect, migrants’ labour market outcomes in countries applying a selection mechanism do not appear better than those in countries that do not. For example, using the incidence of a skill mismatch between education at tertiary level and education required for the job carried out (over-education if the difference is positive) as a raw indicator of migrants’ economic integration, hardly any prima facie differences emerge between the situation in Canada,

Table 2

**Over-Education among Natives and Migrants**

Country	Year	Natives	Foreign-born	Author(s)
Australia*	1996-2000	7.4%	~30%	Green, Kler and Leevess (2007)
Canada*	1999-2001	12%	30%-50%	Wald and Fang (2008)
NZ*	1996-2006	36%	41%	Poot and Stillman (2010)
US	2009-11	baseline	5%	de Matos and Liebig (2014)
EU (22)	2002-09	13.7%	22%	Aleksynska and Tritah (2009)
EU 27	2007	22%	35%	Nieto, Matano and Ramos (2015)
Sweden	2008	11.9%	25%-30%	Joona, Gupta and Wadensjö (2014)
Denmark	1995-02	8%	13%	Nielsen (2007)

\* = country selects immigrants based on a points system. Source: Tani (2017).

Australia and New Zealand and other countries reported in Table 2.

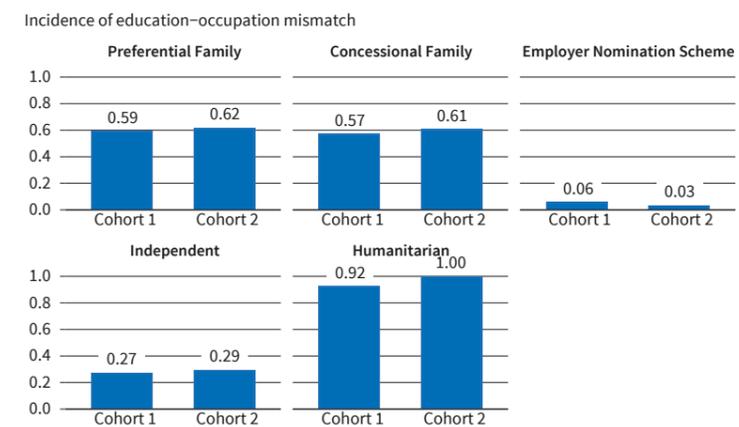
A similar picture emerges when using quantitative analysis of the determinants of over-education across several countries (e.g. OECD 2015 – Table B2 p. 41-41) or when the analysis is carried out by visa type, as shown in Figure 1, which depicts the case for Australia (Tani 2017).

The relatively high incidence of over-education among selected immigrants (“independent” in Figure 2) is counterintuitive when one considers that selective policies are designed to admit only the most productive migrants. This raises the question of the appropriateness of measuring the effectiveness of migration policy with outcomes determined by the labour market. This is especially the case when there is limited institutional support to further ease migrants’ entry into the host country’s labour market besides the provision of a permanent visa. Employment departments may play an active role in overseeing whether or not the skills offered by immigrants, especially if they are highly-educated, are efficiently used, and if intervention is necessary? This question raises another: namely, to what extent it is desirable for immigration and employment policies to coordinate their aims and policy tools, at least with respect to migrants undergoing a selection process. The division of responsibility between immigration departments attracting foreign talent and employment departments ensuring its efficient usage in the labour market may generate discrepancies if carried out independently from each other. This presents a cost for the migrants, who may spend additional time working in jobs for which they are over-qualified before their skills are properly utilised and rewarded; and for the host country’s society due to the inefficient valuation of its immigrants’ skills. Immigration and employment policy-making may work jointly to address issues of recruiting foreign talent and its subsequent utilisation in the labour market. Possible examples of collaborative work include the development of accreditation programmes to ease the path into licensing for foreign-trained professionals, subsidised host country language support, or easier access to finance for new start-ups.

Unfortunately issues related to the efficiency of the labour market do not yet appear to be at the forefront of employment policies even in countries applying a points system to select immigrants. At times of sluggish economic growth, however, even a small for-

Figure 2

#### Incidence of Education–Occupation Mismatch by Visa Class in Australia Graphs by major grouping of visa category



Source: Longitudinal Survey of Immigrants to Australia (1993–2000).

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ward step in improving efficiency in skill utilisation can make a substantial positive contribution to a country’s economy.

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## Marc Helbling A Comparison of Immigration Policies<sup>1</sup>



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### EXISTING IMMIGRATION POLICY DATASETS AND THEIR LIMITATIONS

Hollifield and Wong (2013, 3) have argued that migration research in recent decades has “entrenched itself in the mainstream of political science.” Developments in the field of immigration policy research are a very good example of this trend. After a long period in which studies that analysed single cases or a small number of countries predominated, a growing number of researchers have started to compare a relatively large range of cases. This has led to a quantification of the data under study and policy index building. By quantifying this data, migration scholars have followed a trend that has already taken place in other domains of political science such as democracy (Coppedge et al. 2011), state-church relationship (Traunmüller 2012), citizenship (Bauböck and Helbling 2011), rule of law regulations (Skaaning 2010), and electoral systems (Teorell and Lindstedt 2010).

This article aims to give a short overview of recently compiled immigration policy indices and how the Immigration Policies in Comparison (IMPIC) dataset tries to overcome some of their limitations. Table 1 lists most of the existing databases and indices that meas-

ure immigration policies (Bjerre et al. 2015).<sup>2</sup> It appears that with the exception of Timmer and Williams (1998), scholars only started to build policy indices just over a decade ago. Although a large number of important studies have already been published, several challenges are yet to be overcome in the field of immigration policy index building.

As far as temporal and spatial coverage is concerned, it becomes apparent that there is a trade-off between the span of time and the number of countries that are covered (Bjerre et al. 2015). For half of the indices, data were collected for one to three years only whereas the other half of indices allow for the analysis of longer periods. Several databases cover twelve years or more, allowing the investigation of developments across time (Givens and Luedtke 2005; Mayda and Patel 2004; Mayda 2004; Ortega and Peri 2009; Thielemann 2003; Timmer and Williams 1998). Peters (2014) has built an index that covers the immigration policies of 18 wealthy countries across four centuries. Three of the immigration policy indices cover a relatively large set of cases (Klugman and Pereira 2009; Ruhs 2011). The rest include a small to medium number of countries, mostly Western European and traditional settler countries.

A closer look at the existing immigration policy indices also reveals that the concept of “immigration policy” is often not defined or clearly specified with the meaning of the term often assumed as commonly understood (Bjerre et al. 2015). By assessing the indicators used in the respective indices it turns out that they cover very different aspects of immigration. It thus appears that the various researchers in this field have different understandings of what immigration policies consist of. “Immigration policy” is a more complex social phenomenon than one might think. It needs to

<sup>1</sup> This article provides a summary of earlier work published in Helbling et al. (2017), Helbling (2016) and Bjerre et al. (2015).

<sup>2</sup> By “index” we understand a measurement that operationalizes a social phenomenon in a quantitative way and represents an aggregate of data.

Table 1

#### Overview of Immigration Policy Indices and Databases

Datasets	Years	Number of Cases and Regions
Cerna (2008)	2007	20 West European and settler countries, Japan
Givens/Luedtke (2005)	1990-2002	3 West European countries
Hatton (2004)	1981-1999	EU 15 (except Luxembourg)
Klugman/Pereira (2009)	2009	28 developed and developing countries
Lowell (2005)	2001	12 West European countries, South Africa, Japan
Mayda (2004)	1980-1995	14 OECD countries, European Union
Ortega/Peri (2009)	1980-2005	14 OECD countries
Oxford Analytica (2008)	2005-2007	13 West European and settler countries, India, Japan, Singapore, United Arab Emirates
Pham/Van (2013)	2005-2009	50 US states
Peters (2014)	18th-21th century	19 wealthy countries
Ruhs (2011)	2009	46 high- and middle income countries
Thielemann (2003)	1985-1999	20 OECD countries
Timmer/Williams (1998)	1860-1930	Argentina, Australia, Brazil, Canada, United States, United Kingdom

Notes: The “settler countries” include Australia, Canada, the US and New Zealand.  
Source: Bjerre et al. (2015, 564-565).

be defined, not only to clarify what we are talking about, but also to enable assessments of how the respective indices are measured and aggregated.

Accordingly, we observe that the lack of thorough and transparent methodological discussion and documentation results in indices that are constructed without the benefit of theoretically grounded rules. Of course, there are no general rules for index building in the social sciences, and there is no need for such rules: researchers, including migration policy scholars, should build their indices tailored to the research questions they are interested in answering. However, in this process it is critical that approaches to conceptualization, measurement, and aggregation are made explicit. While different methodological choices are often possible, it is crucial to discuss these choices in a transparent way so that other researchers understand how an index has been constructed. Transparency fosters critical analysis, facilitates replication, and thus builds general knowledge.

Another problem concerns the fact that most of these indices only cover specific aspects of immigration policies like labour migration (Cerna 2008; Lowell 2005; Ruhs 2011) or asylum (Hatton 2004; Thielemann 2003). The aspects covered by Klugman and Pereira (2009) and Givens and Luedtke (2005) have the broadest empirical scope and cover almost every aspect of immigration policies. Many of the limitations can be explained by the fact that researchers in this field have constructed their indices mostly for specific research questions and projects. Accordingly, they measure certain detailed aspects of immigration and have only been used for individual papers. For this reason the datasets are not accessible to other researchers.

There have been few efforts to build more comprehensive datasets with a systematic and transparent methodology to date. A good example is the Determinants of International Migration (DEMIG) project, which involved the set-up of a database that covers policy changes in 45 countries for the time period 1946-2013 (De Haas et al. 2014). A major limitation of this dataset, however, is that it focusses on measuring policy changes. This precludes an analysis of changes at the absolute policy levels and, therefore, makes a comparison of the policy levels of different countries or groups of countries impossible. The International Migration Policy and Law Analysis (IMPALA), as well as Temporary versus Permanent Migration (TEMPER) are two other projects that have started to build up larger immigration policy databases (Beine et al. 2016; Consterdine and Hampshire 2016).

### IMMIGRATION POLICIES IN COMPARISON (IMPIC) DATASET

The aim of the Immigration Policies in Comparison (IMPIC) project was to build a database that is conceptualized in a more comprehensive way than existing databases. This dataset allows us to investigate immi-

gration policies systematically across time, countries and policy fields. The database covers regulations in 33 OECD countries for the time period 1980-2010 and four sub-fields: labour migration, family reunification, asylum and refugees and co-ethnics (Helbling et al. 2017).

In this project, immigration policies are defined as a government’s statements of what it intends to do or not to do (including laws, policies, decisions or orders) with regard to the selection, admission, settlement and deportation of foreign citizens residing in its country. Immigration policies are therefore clearly distinguished from integration policies, which deal with migrants that have already crossed national borders and taken up residence. Moreover, the data only covers legal regulations and thereby excludes information on implementation, which might differ considerably from policy outputs.

For the IMPIC project, data was collected for different policy dimensions and policy fields (see Table 2). This allows researchers to disaggregate migration policies and to investigate specific policy aspects. It is thus possible to differentiate between four policy fields that reflect the four main reasons why states accept immigrants: labour migration (economic reasons), family reunification (social reasons), asylum/refugees (humanitarian reasons) and co-ethnics (cultural reasons). The last policy field concerns policies that facilitate access for groups of people with special historical or cultural ties to their new home country. In addition to migrant admission policies, the dataset also looks at regulations establishing migration control mechanisms that monitor whether policies are adhered to. The control mechanisms group includes various aspects relating to irregular migration such as requirements for airlines to control visa or sanctions on employing irregular migrants.

For each policy field, we acknowledge that states regulate and control immigration not only at their borders, but also within their territories. Accordingly, we firstly take into account how difficult it is to cross national borders (external), and secondly how secure the status of immigrants already is in the country, and what rights are associated with a specific status (internal).

As a last differentiation, the dataset distinguishes between several sub-dimensions: following the Migration Integration Policy Index (MIPEX) (MPG 2006), the dataset distinguishes between eligibility requirements and conditions that need to be fulfilled within external regulations. Eligibility and conditions belong to the external dimension because they regulate who is given access in the first place. More specifically, eligibility concerns the question of which types of applicants may be granted access (which nationalities, which kinds of refugees, which family members etc.). Conditions refer to the specific requirements that need to be fulfilled by these groups (economic and cultural requirements, formal application procedures etc.). The internal dimension of regulations is composed of two sub-dimensions,

Table 2

Conceptualization of the IMPIC Dataset

Policy dimensions			Policy fields			
Modus operandi	Locus operandi	Sub-dimension	Labor migration	Asylum/refugees	Family reunification	Co-ethnics
Regulation	External	Eligibility Conditions				
	Internal	Security of status Rights associated				
Control	External					
	Internal					

Source: Helbling et al. (2017, 84).

namely security of status and the rights associated with a respective status. While the former concerns the duration of residence and the possibility to renew permits, the latter includes aspects that go beyond the rights of a special status; for example, vocational training rights for labour migrants or labour rights for refugees.

Following the lead of established projects in the citizenship literature, namely the EUDO citizenship project (Vink and Bauböck 2013) and the Indices of Citizenship Rights for Immigrants (ICRI) (Koopmans et al. 2012), data on over 70 aspects of migration policy was collected and coded on the basis of concrete legal regulations with the help of national migration experts (mostly legal scholars) (Bjerre et al. 2016). We did not code whether policies became more or less restrictive, but coded each item individually for each year. Various quantitative analyses were conducted to test the internal and external validity of the IMPIC data (Schmid and Helbling 2016). These tests confirmed the theoretical dimensions of the dataset and showed that the data correlates with other datasets that measure immigration policies. Qualitative validity tests for selected countries showed that the development of migration policies can largely be confirmed by case studies or overview reports (Abou-Chadi and Helbling 2017).

The IMPIC database allows researchers to describe policy variation across time and space, and to study the causes and effects of migration policies in greater detail. Which are the most restrictive and most liberal countries? Have policies become more liberal or restrictive over time? Are there groups of countries whose policies present similar patterns? What factors lead to more restrictive and, conversely, more liberal policies? Do restrictive policies actually lead to lower immigration rates? How great is the impact of immigration policies on immigration rates compared to other factors? It will now be easier to find answers to these and many other questions.

Our first analyses have shown that the conditions and criteria for entering and staying in a country have become more liberal for labour migrants, asylum seekers and people joining their families over the last decades (Helbling and Kalkum 2017). At the same time, however, we observe that more restrictive control mechanisms have been put in place to help monitor

whether migration policies are adhered to and to prevent irregular migrants from entering a country. We also find that there is a general convergence trend in the migration policy field that varies, however, in intensity across policy fields. There are only small differences between EU and non-EU OECD countries, and thus we may only partially observe any Europeanisation effects.

We also find that immigration policies have an important effect on immigration rates (Helbling and Leblang 2018). The effect, however, also depends on other factors that attract or deter immigrants. We show that the deterrence effect of restrictive immigration policies increases when unemployment rates are high. We argue that under such circumstances states start to care more about effectively protecting their national economy. Moreover, we show that policies are more effective for migrant groups from former colonies or when the stock of this group is already high in a destination country. We argue that, under such circumstances, information on border regulations is more easily disseminated, which in turn makes such rules more effective.

For more information, visit the project webpage: [www.impic-project.eu](http://www.impic-project.eu).

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## Robert Holzmann The Cross-Border Portability of Social Benefits



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### INTRODUCTION

The portability of social benefits for international migrants is gaining importance across the world. This is the result of an increasing number of individuals spending at least some part of their life working abroad and acquiring benefit rights that they want to preserve when returning home or moving on to another country of work or residency. The historical labour migrant-driven demand for cross-border portability is joined by retirement migrant-driven demand, i.e., the desire to spend some or all of one's retirement years in a better climate and lower-cost environment abroad.

Cross-border benefit portability is understood as the migrant's ability to preserve, maintain, and transfer both acquired social security rights and rights in the process of being acquired from one private, occupational, or public social security scheme to another, independent of nationality and country of residence (Cruz 2004; Holzmann, Koettl and Chernetsky 2005).

Social security rights refer, in principle, to all rights stemming from contributory payments or residency criteria in a country. While individuals and migrant-sending countries often aspire to make the largest scope of benefits portable, their worldwide portability scope is much smaller. It is almost universal within the European Union (EU); restricted to key benefits such as pensions, healthcare, and family benefits between EU and non-EU member states; and often restricted to pension benefits (old-age, disability, survivorship) in most other migration corridors, if it exists at all.

The economic analysis of portability issues is very recent and incomplete at both the theoretical and empirical level. This overview starts by offering magnitudes of relevance followed by selected conceptual considerations and estimates of portability regimes across the world. The latter include bilateral social security agreements (BSSAs); but do they actually work? The overview ends by presenting a selection of policy research issues.

### SCOPE AND TRENDS OF RELEVANCE

The share of individuals living outside their home country is on the rise again after hitting a temporary low in the 1970s, reaching 3.4% of the world population in 2017 (up from 2.3% in 1980), or an estimated 258 million people (United Nations 2017). Figure 1 presents the dynamics of the number of migrants and their share of

the world population as of 1960. On 1 January 2016, the number of people living in the EU-28 who were citizens of non-member countries was 20.7 million, representing 4.1% of the EU-28 population, while the number of people living in the EU-28 who were born outside of the EU was 35.1 million. In addition, 16.0 million persons were living in one of the EU member states on 1 January 2016 and held the citizenship of another EU member state (Eurostat 2017).

These migrant stock numbers – impressive as they are – underestimate the underlying labour mobility dynamics, that is, the number and increasing share of individuals who have lived, or will live at least part of their working or retired life outside their traditional country of residence. While this development is more difficult to quantify due to individuals' multiple migration spells of varying lengths, sometimes to multiple countries, indications from across the world are strong that the number of spells spent abroad is increasing. In the EU, the number of citizens who spend at least some of their adult life living outside their home country (as a student, intern, intra-firm and inter-firm mobile employee, labour migrant, or "snowbird" retiree) is definitely rising, and may soon be as high as one in every five individuals. Past labour market spells abroad translate into rising numbers of pension payments to and from abroad that amount to around 11.1% of the total number of pensions paid in Germany (Genser and Holzmann 2016).

### SELECTED CONCEPTUAL CONSIDERATIONS

Four conceptual considerations are discussed, drawing on Holzmann (2017) and Holzmann and Koettl (2015).

#### Three Key Dimensions of Interest in Portability

Establishing portability of social benefits should be straightforward, as three key considerations – economic, social, and human rights – favour it.

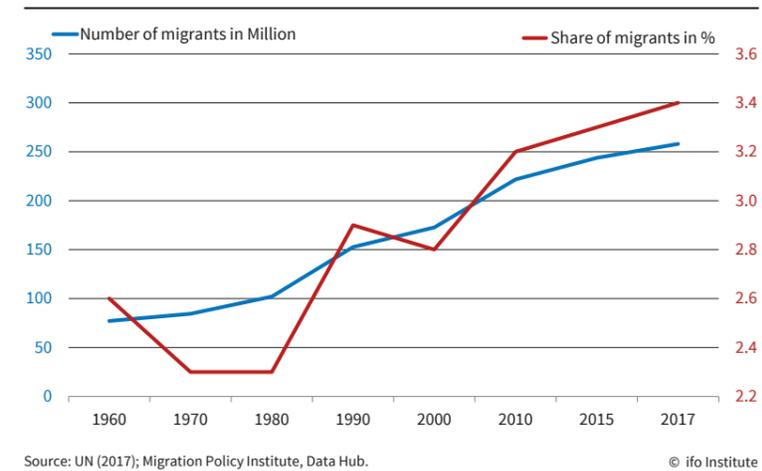
From a first-best economic point of view, an individual's labour mobility decisions should not be influenced by the lack of portability of social benefits to which she/he is entitled. Efficiency is increased by the absence of any distortionary obstacles toward portability.

From a social policy point of view, such acquired rights are a critical element of an individual's (or family's) lifecycle planning and social risk management. Denying portability – particularly once the mobility decision has been made and cannot be reversed – risks upsetting the lifecycle planning of individuals and families, creating substantial welfare losses.

From a human rights point of view, individuals have the right to social protection according to national legislation and international conventions and these rights should carry over when individuals leave the country or profession. A key question is whether these human rights apply only to acquired (contributory or

Figure 1

Migrants in World Population, 1960 to 2017



residential) rights or to all social rights. As they are resource-consuming, economic and human rights tradeoffs will emerge. The exportability of top-ups to own pensions to achieve the minimum income guarantee from the host country to the home country is one example also discussed below.

#### Why is Portability Difficult to Establish?

Political support for portability across countries is typically limited, as immobile labour by far dominates mobile labour in terms of both volume and influence. This problem is evident when considering labour mobility between the private and the public sector within countries. In many countries, such mobility is limited and special schemes remain in place. This fragmentation within countries is not conducive to establishing portability between countries. Portability considerations for the design and implementation of schemes have only slowly been incorporated, following the rise in labour mobility. Domestic considerations are still given priority in the social protection area unless they contradict, for example, EU objectives or ratified International Labour Organization (ILO) Conventions.

Technical reasons for limited portability are largely linked to the pseudo insurance nature of benefit determination, which does not allow a straightforward split of acquired rights into (i) a contemporaneous insurance component that is consumed in any period and hence incurs no portability issue; (ii) a pre-savings component that all benefits have to some extent and that could be made portable if its value could be easily established; and (iii) a redistributive component within and between benefit cohorts that can be huge (as in pension and health care schemes). The redistributive character of benefit schemes is responsible for long vesting periods that internationally mobile workers may not fulfil in a single country, but would easily meet

if the insurance periods in all countries were to be added up (that is, totalised).

#### Which Benefits Should Be Made Portable?

For which types of social security benefits is portability desirable: for all benefits or just a subset, and based on which criteria?

Social security covers both social insurance and social assistance programmes. The difference can be framed through the financing: social security contributions versus general government financing. However, it is also related to the contingencies to be covered

and the extent to which they lend themselves to insurance considerations or reflect general redistributive/anti-poverty considerations. An incomplete list of social security benefits to consider includes old-age, disability, and survivors' benefits; workers' accidents and occupational diseases; sick pay and maternity benefits; family benefits; and health and long-term care benefits.

Not all benefits may be equally important from a social policy angle, and not all bias mobility decisions in a relevant manner. For such decisions, the long-term benefits—pensions and health care—may be the most important ones. Furthermore, for various contingencies listed above, it is difficult to determine the "state of the world"; that is, whether the risk situation (e.g., unemployment) is still valid. For others, the quantities (like the number of children, for example) or prices (such as long-term care costs) cannot be observed. Thus, cost-benefit considerations may call for limited benefit packages and only for a set of countries with tight labour market integration and bi-directional labour flows.

#### Policy Options to Establish Portability

Three approaches are essentially used to establish portability: (i) changing the benefit design to make benefits as portable as possible without government action; (ii) establishing portability arrangements at unilateral, bilateral, and/or multilateral level; and (iii) using multinational private sector providers. These approaches are both substitutes and complements.

The key feature of changing the benefit design is to distinguish explicitly between the contemporaneous insurance element, the pre-funding element of social benefits and the redistributive action outside the benefit scheme. While the latter will have limited bearing on the portability of benefits in disbursement, having a

Table 1

Global Migrant Stock Estimates by Origin Country Income Group and Portability Regime, 2013

Origin Country Income Group	Percentage per regional income group				Total (in million)
	Regime I (Portability)	Regime II <sup>a)</sup> (Exportability)	Regime III <sup>b)</sup> (No Access)	Regime IV <sup>c)</sup> (Informal)	
High-income non-OECD	5.0	41.5	7.5	0.0	21.2
High-income OECD	38.3	52.7	0.0	9.0	123.7
Upper-middle	14.9	25.5	40.8	18.8	31.6
Low-middle-income	10.2	67.9	1.7	20.2	47.8
Low-income	2.8	75.0	0.7	21.4	28.1
Total (%)	23.3	53.2	9.4	14.0	252.3

Note: <sup>a)</sup> Legal migrants with access to social security in the host country in the absence of a bilateral or multilateral arrangement;

<sup>b)</sup> Legal migrants without access to social security in their host country; <sup>c)</sup> Undocumented immigrants.

Source: Holzmann and Jacques (2018).

clearly identified pre-funding element should substantially ease portability for all social insurance-type benefits, except, perhaps, for family benefits. For cash benefits, this is accommodated by the move from a defined benefit to a defined contribution-type structure. Defined contribution schemes are inherently more portable than defined benefit schemes.

A range of portability arrangements can be used to enhance or fully establish portability. Most portability discussions focus on BSSAs, but the scope of arrangements is much larger and includes those listed below.

Unilateral actions can be taken by a country where individuals have established acquired rights. Such actions can improve portability through the full exportability of benefits in disbursement and by facilitating the transfer of rights in creation.

BSSAs are the centrepiece of current portability arrangements between countries. While they can, in principle, cover the whole range of exportable social benefits, BSSAs mostly focus on long-term benefits such as old-age, survivor, and disability pensions and, to a much lesser extent, on healthcare benefits.<sup>1</sup>

Multilateral Arrangements (MAs) represent a general framework of portability for a group of countries for all or a subset of social benefits. These general rules are typically supported by more detailed BSSAs. The most developed MA is the one among EU member states (plus Norway, Lichtenstein, and Switzerland), which is actually not an MA, but is based on supranational EU law. Traditional MAs have been established in Latin America (MERCOSUR) and the Caribbean (CARICOM) and in 15 French-speaking countries in Africa (CIPRES); one was recently established between Latin America and Spain and Portugal (Ibero-American Social Security Convention); and one is in the pipeline for the Association of Southeast Asian Nations (ASEAN) countries.

<sup>1</sup> For some historic and legal background on BSSAs, see Strban (2009); for a review of issues of BSSAs with non-members within the EU context, see Spiegel (2010); for a review of literature see Taha, Siegmann and Messkoup (2015). For the texts of BSSAs worldwide, see the ILO NATLEX database: [www.ilo.org/dyn/natlex/natlex4.search?p\\_lang=en](http://www.ilo.org/dyn/natlex/natlex4.search?p_lang=en).

Multinational providers (MPs) are a promising approach that uses the services of private sector providers, at least for supplementary benefits in healthcare and retirement income. MPs exist and function well for healthcare benefits (Cigna, for example, services World Bank staff and retirees residing in Europe and is also used by the European University Institute). MP arrangements have been discussed and occasionally implemented for the supplementary pensions of international workers in multinational enterprises.

#### SCOPE AND TRENDS OF PORTABILITY REGIMES WORLDWIDE

Table 1 shows the magnitude of portability regimes by national income group in 2013: Regime I (portability) signals the existence of a BSSA independent of its depth, but typically covering at least pension benefits. Regime II (exportability) indicates migrants in countries that have no BSSA with their home country but allow, in principle, the export of cash benefits, once eligibility is established. Hence rights under establishment are not typically covered. Regime III (no access) indicates migrants in countries with no access to national social insurance programmes, which means no mandated contribution obligation, but also no pension or other benefits on return. Regime IV (informal) offers an estimate of the share of migrants who are undocumented in the country, with no or no valid contributions to pay and no benefits to take back.

In 2013 only 23.3% of the total stock of migrants in the world was subject to BSSAs, and of this favoured group, the vast majority (80.5%) were migrants from high-income countries living in other high-income countries. The majority of migrants (53.2%) lived and worked in countries that allow cash benefits, once established, to be exported, but this is often restricted to pension-related benefits. Yet eligibility may nevertheless not be granted, as many countries have waiting periods of 10, 15, or more years. About one in ten (9.4%) migrants could not join the national system (such as in

Saudi Arabia and Singapore), but did not have to pay contributions either. An estimated 14% were undocumented migrants in 2013.

Table 2 compares the results for 2013 with those of 2000. The changes under regime I indicate a moderate aggregate improvement of 1.4 percentage points that nonetheless affects a much larger change for migrants from low- and low-middle-income countries. Furthermore, the mere exportability regime and the informality regime are also in retreat, with reductions of 3.0 and 2.9 percentage points, respectively. All changes concern much larger numbers of migrants, as their recorded total number increased by 60.6 million over the two years. The largest change took place for regime III, where migrants have no access to the national pension and healthcare scheme, but do not have to pay contributions either. Hence, they can do their own retirement saving and healthcare provision in their home country, where remittances can be a major contributor to poverty reduction and a source of foreign exchange for the home country. Most of the 4.5 percentage point change is attributed to migrants toward upper-middle-income countries, due to the expansion of managed migration programmes between Asian countries and the Gulf Cooperation Council countries, but also Singapore, Hong Kong, Malaysia, and South Korea.

#### DO BSSAS ACTUALLY WORK?

Despite their still-limited scope of cross-country applicability, BSSAs are the workhorse of benefit portability, often considered the state-of-the-art approach to be promoted and expanded. Although strongly supported by many legal and social scientists, little evidence exists on their actual functioning. Do they really deliver what is expected and what are the criteria by which the envisaged outcome is measured?

To explore the delivery of BSSAs between EU and non-EU countries in relevant migration corridors, a

World Bank-sponsored project undertook four corridor studies, summarised in Holzmann (2017). The Austria–Turkey, Germany–Turkey, Belgium–Morocco, and France–Morocco corridors represent well-established migration corridors that were selected to reflect both similarities and differences.<sup>2</sup> This allowed for the first-ever qualitative and quantitative insights into BSSAs' working and the formulation of recommendations for policy reforms and future research steps. To assess whether portability arrangements succeed in delivering on fairness and efficiency considerations, three broad results criteria were applied: individual fairness – no benefit disadvantage with regard to pension and health care for migrants and their dependents; fiscal fairness for host and home countries; and bureaucratic effectiveness.

The overall conclusions from the four investigated corridors were relatively encouraging. The four investigated BSSAs broadly seem to work well, with only a few areas of contention and recognised areas for improvement. With some exceptions, this assessment essentially holds for all three criteria used to evaluate the BSSAs.

**Fairness for individuals:** BSSAs do not create a major benefit disadvantage that affects mobility on a large scale in any of the four corridors. Implementation of full healthcare benefits for mobile workers between France/Belgium and France/Morocco will close a remaining relevant benefit gap. The BSSAs offer the expected pension portability for mobile workers, with no major issues around the lack of benefit take-up. A few important outstanding issues remain, particularly the non-portability of non-contributory pension top-ups, requests for retroactive payment, and (for the

<sup>2</sup> For the individual corridor studies, see Holzmann et al. (2016a and 2016b), Holzmann, Jacques and Dale (2016), and Holzmann, Legros and Dale (2016). For a comparison across the east corridors, see Fuchs and Elitok (2014); for the west corridors, see Legros et al. (2014). For an elaboration of broader principles and further country experiences with portability, see the papers in a special volume of CESifo Economic Studies 2015 and the overview paper by Holzmann and Werding (2015).

Table 2

Global Migrant Stock Estimates by Origin Country Income Group and Portability Regime;

Change between 2000 to 2013

Origin Country Income Group	Percentage points per regional income group				Total (in million)
	Regime I (Portability)	Regime II <sup>a)</sup> (Exportability)	Regime III <sup>b)</sup> (No Access)	Regime IV <sup>c)</sup> (Informal)	
High-income non-OECD	-2.0	-6.4	-21.2	-16.5	10.5
High-income OECD	-0.6	6.4	0.0	-5.9	34.6
Upper-middle	-5.5	-9.7	10.1	5.1	14.5
Low-middle-income	3.8	-0.8	0.0	-3.0	3.0
Low-income	1.9	-7.4	-0.4	5.9	-2.1
Total (%)	1.4	-3.0	4.5	-2.9	60.6

Note: <sup>a)</sup> Legal migrants with access to social security in the host country in the absence of a bilateral or multilateral arrangement;

<sup>b)</sup> Legal migrants without access to social security in their host country; <sup>c)</sup> Undocumented immigrants.

Source: Author, based on Holzmann and Jacques (2018).

Francophone corridors) the handling of Muslim repudiation/divorces and widows' benefits. Family allowances remain an issue for discussion and different approaches across the corridors may prevail.

**Fiscal fairness for countries:** The pension systems evaluation yields a mixed picture. For the four BSSAs considered, their increasingly actuarial pension benefit structure helps in the pursuit of fairness; while the high and increasing levels of budgetary transfers needed to keep pension systems afloat have a counter effect. For healthcare systems, it is unclear whether and to what extent fiscal fairness is or can be achieved under the current responsibility and reimbursement structure and how important the problem is. This is an area where major conceptual and empirical work is required.

**Bureaucratic effectiveness:** Stakeholders gave EU host countries' institutions high marks for their provision of benefit-related information and services; but delivered a less favourable assessment for their home countries. A concern for many applicants is the delay in processing; the advantages of advanced electronic file preparation in many, but not all EU countries are attenuated by the paper-based information collection systems in Morocco and Turkey; while the situation is further aggravated by verification issues for names and birth dates. Electronic file exchange systems across BSSAs are envisaged and may soon be implemented in some corridors.

## SELECT POLICY RESEARCH ISSUES

Many issues around benefit portability await analytical penetration and policy discussion. We select three that emerge from the corridor studies, but also from EU internal discussions.

**Does portability or its absence actually matter?** If so, does it matter more for labour mobility or social risk management? For what phase of labour mobility does it matter – departing, staying, or returning – and for what risk management area – pension, health, or family? The findings in the corridor studies are consistent with sparse empirical evidence that departure consideration may be influenced little by the presence or absence of portability. Furthermore, no implemented BSSA exists between Mexico and the United States or between Asian and Gulf Cooperation Council countries, although these are the largest migration corridors globally. This suggests wider implications for the risk management of migrants (forcing own provisioning) and home countries (offering special arrangements such as healthcare by Mexico and a range of support programmes by the Philippines).

**Does the lack of portability of non-contributory top-ups and quality healthcare matter for return migration?** Portability arrangements seem to have a limited effect on return migration, while some specificity of pension and healthcare provisions may make many migrants stay on. For pensions it is top-ups that seem to matter, while for healthcare it is access to

high-quality care if needed. It would seem important to experiment with the limited portability of top-ups or selective access to healthcare in former host countries for return migrants (including visas) to explore the mobility effects.

**Should child allowances or pension benefits be graduated according to the living costs of the receiving country?** A pre-Brexit discussion in the United Kingdom over the scope of child allowances sent to Poland is echoed in Germany and Austria. The proposed level adjustment is fiscally and politically motivated, but can be justified on fairness grounds. The high child allowances sent abroad create a wage subsidy effect that impinges on individual and fiscal fairness of portability. Yet accepting this argument would also call for lower child allowances to be sent to British or German children residing in Poland or Spain.

Similar arguments can be raised for the call to adjust pension benefit levels to the cost of living of the residence country. In a ruling by the French constitutional court on military pensions to former colonial soldiers, a differentiation by country of residency was considered acceptable, but not one by the nationality of the soldier (Le Monde 2010). Applying that principle at an EU level would allow for lower German pensions to be sent to Spain or Greece, not only to returning Spanish or Greek workers, but also to German snowbird retirees.

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## Holger Kolb<sup>1</sup> Perspectives on Immigration Policy Reform: Towards a General Typology of Labour Migration Schemes

dense framework of EU legislation. Given this context, the main aim of this article is to introduce a typology of labour market schemes, allowing for a general ‘cartography’ of the respective national approaches. This ‘cartography’ should not only serve as a starting point for an analytical framework for international comparisons, but also as a heuristic device for identifying the core areas – and future options – in the regulation of labour migration to Germany.<sup>3</sup>

### HUMAN CAPITAL AND LABOUR MARKET PROSPECTS: KEY FEATURES OF LABOUR MIGRATION POLICIES WORLDWIDE

Labour migration schemes around the globe have in common that they focus on different categories of human capital. Leaving aside rare scenarios in which countries categorically refrain from any assessment of the human capital of prospective labour migrants, it is common practice to distinguish between three different categories of individual qualifications: a) Applicants can demonstrate a certain degree of work experience (on a specific level); b) individuals have an occupational qualification, which as a general rule is required to be recognised as equivalent to domestic standards; c) prospective labour migrants have an academic degree. These criteria are not mutually exclusive. Work experience in particular (criterion a) can occur in combination with either b) or c).

A second feature that is helpful for systemising and categorising the variety of labour migration schemes worldwide is the degree of their relation to the labour market in the destination country. An analytical way to differentiate schemes from this perspective is the application of three categories: a) Certain measures fully abstain from applying any control mechanism of labour market integration and thus grant a permanent residence permit right from the start regardless of whether the applicant will be successful in finding a job; b) programmes allowing for entry without an existing employment contract or an employment contract promise for a certain period of time, but that link the continuance of the stay to successful labour market integration; c) schemes allowing entry only on the condition of a pre-employment contract or a contract of employment. It follows that category b) is a hybrid category standing between a) and c). It neither insists on a work contract as a condition for entry (such as c), nor does it issue an unconditional, permanent residence permit (such as a).

A combination of these two variables results in a nine-field matrix (Table 1), in which the rows display the different types of human capital, whereas the columns list the different relations of measures to the national labour market.

### INTRODUCTION

After having been disregarded by German politicians for some time, labour migration issues regained new prominence in the run-up to the 2017 election of the German Bundestag. The question of how to organise the screening and selection processes of non-nationals seeking to immigrate to Germany for the purpose of gainful employment played an important role during the election campaigns and encouraged two political parties to draft their own immigration acts. Both acts are almost exclusively focused on labour migration issues.<sup>2</sup> The sudden eagerness to reform the German rules pertaining to labour migration, however, is surprising given the fact that the last 15 years have been marked by processes that significantly reformed and liberalised the institutional framework of labour migration (Ette, Rühl and Sauer 2013; SVR 2015). In fact, Germany was praised for its policy for highly skilled migration back in 2013, which numbered “among the most open in the OECD” (OECD 2013, 15; see also SVR 2015, 32-43). Any attempts to reform the institutional status quo should thus begin by carefully assessing the set of existing rules, which is widely regarded as open and liberal (Brenning et al. 2014; SVR 2014, 72-78; Cerna 2016; Werdig 2015; SVR 2015, 34-43; Dörig 2016: 1038; Hecog and Wiesbrock 2016, 257-258). After such an assessment, it is also necessary – at least when looking at member states of the European Union – to distinguish between measures of labour migration policy that have their origin in EU legislation and those that are exclusively motivated by domestic considerations. In Germany, in particular, many reforms in recent years were the outcome of implementing EU directives. It follows that any reform of German labour migration policy faces a double challenge. Firstly, it is necessary to identify those aspects within this particular sub-field that allow for desirable changes given the fact that the German set of rules is already widely appreciated as open and liberal. Secondly, the ongoing process of the Europeanisation of migration policy requires careful consideration of the types of national reforms that are actually possible and do not collide with the increasingly



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Table 1

Analytical Matrix of a Typology of Labour Market Schemes

	Intensity of coupling		
	Low/open (no coupling)	Medium/temporary (job search option)	High/conditional (work contract as precondition)
Academic degree	7	8	9
Vocational training	4	5	6
Work experience	1	2	3

Source: Own diagram, based on Kolb (2017, 147).

### THE THIRD DIMENSION: INSTITUTIONAL SOURCE OF LABOUR MIGRATION SCHEMES

When determining the types of reforms that are possible and desirable in the context of debating a (new) national immigration law in particular, it is also necessary (at least when analysing EU member states) to complement the analytical matrix shown above with a third dimension that focuses on the competent jurisdiction. For quite a long time the European Union was not very successful in obtaining new responsibilities in the field of labour migration (van Riemsdijk 2012, 353; Laubenthal 2014; Thym 2016, 272). At the beginning of this century in particular attempts by the European Commission to implement a proactive labour migration policy were thwarted by the EU member states. The passing of the directive on the conditions of entry and residence of third-country nationals for the purposes of highly-qualified employment (directive 2009/50/EC) in 2009, better known as the EU Blue Card directive, must therefore be regarded as an institutional icebreaker for the EU’s attempts to gain importance as norm setter. For the first time in its history, the member states of the EU allocated significant responsibilities for legislation in the field of labour migration from the national to the supranational EU level. In addition to the Blue Card directive, five other directives exist in the field of labour migration that define an increasingly dense framework for EU-countries and constrain the scope of action of all member states.<sup>4</sup> The set of rules of all EU countries in the field of labour migration are therefore combinations of regulations, which are based on the transposition of EU directives into national law on the one hand and, on the other, merely nationally motivated schemes, which are not linked to or influenced by any EU legislation. This differentiation between different ‘sources’ of legislation is particularly relevant from the perspective of public pol-

<sup>4</sup> In addition to the Blue Card-directive, it is directive 2011/98/EU on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a member state and on a common set of rights for third-country workers legally residing in a member state, directive 2014/36/EU on the conditions of entry and stay of third-country nationals for the purpose of employment as seasonal workers, the directive 2014/66/EU on the conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer and the directive 2016/801/EU on the conditions of entry and residence of third-country nationals for the purposes of research, studies, training, voluntary service, pupil exchange schemes or educational projects and au pairing.

icy, since all schemes which have their foundations in EU legislation are to some degree immune to any national reform attempts; and thus must be regarded as static (at least from the perspective of domestic political actors). In addition to identifying desirable changes to the given set of rules, it is therefore also necessary to determine whether such changes are legally possible, given the increasingly strong role of the EU.

### THE LEGAL STATUS QUO OF LABOUR MIGRATION POLICY IN GERMANY

Germany’s history of labour migration policy has developed very dynamically throughout the last 15 years. Whereas at the beginning of this century barely any options to immigrate to Germany for the purpose of work existed, nowadays a huge variety of specific labour migration schemes are available (see also Schönwälder 2013, 273-286). Unlike many other EU-member states Germany decided to use the mandatory transposition of the Blue Card-directive into its national law to fundamentally realign its labour migration system (Strunden and Schubert 2012; Brinkmann 2013, 11-35; Kolb 2014, 71-91). Since 2012, the year of the transposition, the Blue Card has emerged as the institutional backbone of the German system of labour migration regulation (SVR 2018, 41-42). This also reveals the fact that the general measures located in field nine of the analytical matrix introduced above play a prominent role within the German set of rules. In addition to the Blue Card, a number of other options (such as section 18 (4) AufenthG in conjunction with section 2 (4) BeschV or section 20 AufenthG) address third-country nationals with an academic degree and a work contract. The measures of field nine can therefore be regarded as the institutional core of German labour migration policy. In recent years, however, additional measures that are located in other fields have been introduced. In this context, it is worth mentioning section 18c of the Residence Act (AufenthG), which grants every individual with an academic qualification the right to come to Germany for a maximum period of 6 months for the purpose of looking for a job that matches his/her qualification. In case of a successful job search, the permit is extended. Related to the typology introduced above, this measure belongs to field eight. In

<sup>1</sup> The views in this article are my own and should not be regarded as those representing the views of the Expert Council. I thank Timo Tonassi for his comments on an earlier draft of this paper.

<sup>2</sup> See Bundestag printed papers 19/44 and 18/11854.

<sup>3</sup> Section 2) draws upon the preliminary considerations outlined in Kolb (2017, 145-148).

combination with the programmes of field nine, this option leads to “an almost full liberalisation of the immigration of persons with academic qualifications” (Langenfeld 2013, 10, own translation). It would be a mistake, however, to restrict the dynamic developments within German labour migration policy to the field of persons with academic degrees. Briefly after the transposition of the Blue Card directive, new options were integrated into national law that, for the first time, also paved the way for persons with vocational training to come to Germany (section 6 (2) BeschV), ended a period of “academic arrogance” (SVR 2015, 36) and thus filled field six of the matrix. In addition, it is likely that field three, which is vacant so far in Germany, will also be filled in the near future as the proposal for a reform of the Blue Card-directive would broaden its scope of applicants by granting Blue Cards not only to those with academic qualifications, but also to those with “at least three years of professional experience of a level comparable to higher education qualifications” (Art. 2 lit. h COM(2016378) (Langenfeld and Kolb 2016, 529; Klaus 2017, 66-67).

#### EUROPEANISATION AND LIBERALISATION OF MIGRATION POLICY: WHY A POINT SYSTEM NO LONGER FITS INTO THE GERMAN REGIME OF LABOUR MIGRATION POLICY

Field nine and (in the foreseeable future) field three are, and will be, heavily affected by EU-law. National attempts to change the set of rules for these groups are thus only possible to a limited extent. This pertains first and foremost to the group of third country nationals with academic qualifications and (pre-)arranged employment. For this segment – at least in Germany – the Blue Card is now in place as the center of all options to immigrate. This has significant repercussions on the general options to complement the German system with a point system, an idea still popular among some political parties as well as a number of migration experts.<sup>5</sup> This instrument, which can be described as a “scorecard combining several observable criteria such as age, education, and language skills” (Tani 2014, 2; Sumption 2015, 1), would also target the individuals located in fields 9 and 3. Due to the Blue Card, however, it would almost automatically be reduced to a second-choice-option, which – given the superiority of EU law over national legislation – would only be made use of if the conditions for obtaining a Blue Card cannot be met. The general incompatibility of the idea of a point system with the central instrument of EU labour migration policy (the Blue Card) is also expressed by the fact that the European Commission made clear in the explanatory memorandum of the proposal for a reform

of the Blue Card, that in “the preparation of the proposal a broad range of policy options were examined, some of which – repealing the EU Blue Card Directive, introducing a point-based expression of interest system, extending the scope to international service providers – were discarded in the first stage of assessment” (COM(2016) 378, 8).

In addition to the increasing relevance of the EU as a player in the field of labour migration policy, recent developments at a national level have also contributed to the shrinking applicability of a point system in Germany. Special attention in this regard must be paid to the introduction of section 18c of the Residence Act, which grants a job search visa to all individuals with academic qualifications. The complementation of the Residence Act through this new option occurred simultaneously to the transposition of the Blue Card directive. It was, however, not prescribed by EU law. As a result, this new option provided very liberal and extensive options for academically-trained foreigners – even if they had not managed to find a job in Germany from abroad – to (temporarily) immigrate to Germany. The legal status quo for field eight in Germany thus represents a maximum of openness.

The combination of the Blue Card, which is based on EU law and covers field nine, on the one hand and section 18c, which fills field eight (in the most liberal way possible), on the other hand leads to a situation, whereby academically trained individuals, who are still at the centre of any attempts to recruit foreign nationals for the purpose of work, must stand outside of the scope of a point system. The instrument of a point system in Germany is therefore reduced to regulate labour migration of only minor relevance for the particular German context. This applies to the fields one, two, and four which in Germany and other countries with rather comprehensive welfare systems and formalized labour markets (must) remain vacant (see also Offer 2017, 31). The actual scope of application for a point system is therefore field five, which comprises only a rather small number of individuals.

The idea of a point system for Germany, which came up as early as 2002 in Germany, thus first and foremost seems outdated (see also Thym 2017, 369). Back in 2002, when the first draft of the immigration act,<sup>6</sup> which did not come into force in a revised version until 2005, included a point system, such a system easily would have been able to emerge as the core of the legal infrastructure to regulate labour migration to Germany. Over one and a half decades later, however, developments at the European and national level have resulted in a new institutional environment, which makes a full integration of a point system into the German set of rules neither easily feasible nor desirable.

<sup>5</sup> The drafts for a new immigration act by both the Social Democratic as well as the Green Party (see Fn. 1) included such a point system. A fierce supporter of the introduction of a point system in Germany is also the Institute of Labor Economics (Hinte, Rinne and Zimmermann 2011), which, however, tends to disregard the increasing significance of EU lawmaking in the field of labour migration and its implications for national policy-making.

<sup>6</sup> The first version of the immigration act, which included a point system in article 20, was declared invalid by the Federal Constitutional Court for formal reasons concerning its adoption in 2002. A new version, which was adopted on 30 July 2004 and represents a compromise between the then socialist-green government and the conservative opposition, waived this idea.

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## Migration Policies and the Highly Skilled



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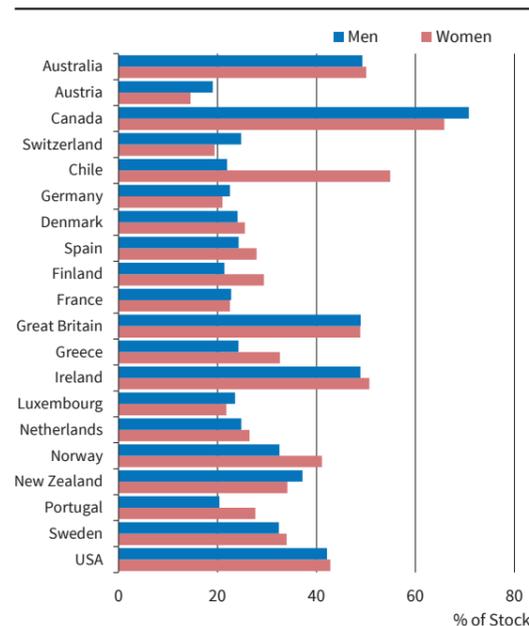
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Demographic and technological changes have boosted demand for a highly skilled workforce. The skill shortage, which is a topic of high relevance in many European countries, has led to a widespread debate on appropriate policy responses. These policies include measures to increase female labour force participation, improve the qualification of the present and future workforce and change the way in which labour is organised. As a further option, countries refer to migration policy as a means of attracting highly skilled workers and responding to the need to increase the skill pool.

As Figure 1 illustrates, countries manage to affect the composition of their migrant stocks to differing extents. For example, of all migrants who lived in Canada in 2010, over 70% of males and 65% of females were highly skilled. The respective shares for Australia, Ireland and the United Kingdom were close to 50%. By contrast, only around 20% of the migrants in Austria, Germany and France, respectively, belonged to that skill group.

Figure 1

Share of Highly-Educated Migrants, 2010



Note: Highly-educated refers to those with an education level higher than a high-school leaving certificate.

Source: IAB brain-drain dataset, see Brücker, Capuano and Marfouk (2013).

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The observed differences across countries raise two key questions: firstly, how can migration policies be designed such that those with qualifications most in demand are attracted? And secondly, what can be said about the implementation costs of these policies? In the following, we provide an assessment of different migration policies in the light of these two aspects, while paying attention to their possible effects on migrants' incentives to invest in their human capital.<sup>1</sup>

### OPEN BORDERS

As a benchmark, the first concept to be discussed is the absence of any migration restrictions, i.e. a policy of open borders. Who would come to – let's say – the European Union (EU) if immigration from non-EU countries were not regulated at all? To answer this question, the following considerations are useful: If migration is motivated by differences in gross wages between the origin country and the destination country, and if those differences reflect productivity differences, migration is undistorted and beneficial. Migrants move to countries where they produce the largest value and this leads, in turn, to the largest economic product for all countries involved.

Gross wage differences, however, are not what enters the migration decision. Migrants compare their net income, thus also considering taxes and transfers. If and for whom a country is attractive then depends on how the income distribution (after taxes and transfers) in the origin country differs from that in the destination country (Borjas 1987). If, for example, the average income in both countries is the same, but the income is distributed more unequally in the origin country compared to the destination country, then migration is worthwhile for low-skilled groups in the origin country. They benefit most from the tax and transfer system in the destination country – and if differences in income more than compensate for the monetary and non-monetary costs of migration, migration by the low-skilled obtains. In this case, the welfare state acts as a magnet (Borjas 1999). This holds at least if claims against the welfare state can be made immediately after entry. On the contrary, highly skilled groups with higher expected wage income may abstain from migrating to countries with a very redistributive system.

Highly skilled migrants care more about the transferability of their qualifications (see Thum and Uebelmesser 2003, Poutvaara 2004), i.e. whether the skills acquired at home can be productively used in the foreign labour market. This, in turn, depends on the technology used in the destination country compared to that in the origin country. Moreover, the formal recognition of the qualifications plays a role and language proficiency in the language of the destination country

<sup>1</sup> For a discussion of different options to address skill shortage in Germany, see Uebelmesser (2013).

is also important (see Dustmann and van Soest 2001, 2002).

For an undistorted outcome in which the skill composition of the migrants corresponds well to the needs of the destination country's labour market, only differences in gross wages should guide the migration decision. The migrants, however, are mostly interested in their incomes net of taxes and transfers. In addition, they may consider factors like labour market institutions, or the quality of the educational system or health system (see Geis et al. 2013). It follows that with open borders, it is only by chance that migrants' qualifications match well with the labour market needs of the destination country.

(Almost) open borders, however, may generate a positive incentive effect on migrants' education. If potential migrants know which qualifications are in high demand, and thus are highly remunerated abroad,

and if they consider the probability to migrate large enough, this could encourage them to invest more in human capital. Unrestricted mobility would then positively influence migrants' average level of human capital (Stark et al. 1998),<sup>2</sup> with positive repercussions on destination countries.

### POINT SYSTEM

A scenario with open borders is not very realistic for developed countries, despite the fact that it can serve as a useful point of departure. As far as the skill composition of the migrants' pool is concerned, a selective

<sup>2</sup> While the focus here is on destination countries, migration of the highly skilled is also likely to have an effect on sending countries. Under certain conditions, a brain drain may, however, go hand in hand with a brain gain such that also the sending countries benefit from the migration opportunities of their skilled workers (see Stark and Wang 2002; Beine, Docquier, and Rapoport 2008, Stark et al. 2012).

Table 1

Points Attributed under Different Schemes in Selected EU Countries (2014), as a Percentage of the Pass Mark

Characteristic	Denmark	Netherlands	Austria (Tier 1: high-qualified)	Austria (Tier 2: key worker or shortage occupation)	United Kingdom <sup>a)</sup>
<b>Requirement of job offer?</b>	No	No	No	Yes	Yes
<b>Characteristics of the intended occupation</b>					
Job offer or current employment in country					42
Qualified for/ job offer in skilled occupation				0*	28*
Qualified for/ job offer in a shortage or growth occupation	10			0*	63*
<b>Previous work experience</b>					
Work experience (in general)	5		3–29*	4–20**	
Additional points for work experience in specific occupations	5–10				
Additional points for work experience in country	5–10*	14	14*	8–20**	
<b>Academic qualifications</b>					
Academic qualification (in general)	30–80	71–86	29–57**	40–60	
Additional points for academic qualification in country or region	5–10*	0*–14	7–14		
Additional points for academic qualification at top-ranked university	5–15	0*			
<b>Language<sup>b)</sup></b>	5–25 (+5–10)	14*	7–14	20–30	14
<b>Age</b>	10–15	14	14–29	30–40	
<b>Financial requirements</b>					
Sufficient funds for initial period	0				14
Previous salary			29–43**	0	
Current salary					31–69
<b>Pass mark</b>	100	100	100	100	100

<sup>a)</sup> This data is only related to the so-called »Tier 2« program. The »Tier 1« program ended in 2015.

<sup>b)</sup> Countries with national languages, that are not widely spoken outside their borders, also reward proficiency in other languages. The Netherlands, for example, also give points for knowledge in English. In Denmark, the languages English, German, Swedish, and Norwegian are accredited, even though additional points can be earned with proficiency in Danish.

Notes: Obligatory criteria in grey; \*/\*\*/\*\* denote alternative requirements. Source: DICE Database (2016) and OECD (2014).

policy based on a point system could have a significant impact. To achieve such an impact, in a first step, demand in terms of qualifications has to be specified. In a second step, this has to be translated into a point system. Examples can be found among the classical immigration countries like Canada, Australia and New Zealand. A few countries in the European Union, like the United Kingdom and Denmark, have also introduced a point system for migrants from outside the EU (see Table 1). Whether someone is welcome in a country depends, for example, on his/her level of education and years of job-related experience. In addition, the individual's age and proficiency in the language of the destination country may play a role. Furthermore, the point system offers the possibility of taking into account the situation of the labour market in general and in specific sectors. Depending on the state of the economy, the allocation of points to different criteria, as well as the required minimum number of points, can be adjusted.

A point system has the advantage that selected migrants better meet labour market demand. This holds at least if the criteria can be easily recorded and verified in an inexpensive way, and if they can be identified and adjusted by the authorities without much delay. In this case, a point system can provide also a good orientation for potential migrants as to the valuation of their qualifications in the destination country, especially if the criteria are relatively constant over time. Even more importantly, the relative weighting of the different criteria informs potential migrants of how they can increase their immigration probability. Migrants can then choose, for example, to improve their language proficiency and/or their general and specific qualifications.

In particular, incentives to invest in human capital may increase for those who intend to migrate if their human capital is valued appropriately. At the same time, the policy can influence the composition of the group of migrants in relation to the destination country's labour market. However, it should not be overlooked that a point system requires a catalogue featuring criteria to select the migrants. Determining these criteria and subsequently selecting the applicants can be cost- and time-intensive.

#### ENTRY FEE AND QUOTA

Given the resources necessary to make a point system work, we ask whether there are alternative policies a country can resort to with the goal of promoting highly skilled immigration. One possibility is the use of quotas. Since the Immigration Restriction Act of 1921, the US, for instance, has controlled the inflow of migrants by means of quotas, selecting migrants by their characteristics. At the outset, quotas were based solely on nationality, but with the enactment of the Immigration and Nationality Act of 1965, the focus shifted to migrants' skills and family ties to US citizens.

If a country seeks to admit skilled workers, a simpler and potentially more profitable tool than point systems or quotas could be that of selling the right to enter the destination country. An entry fee or a tax, which migrants would have to pay upon entry could deliver the skill composition the destination country wishes to achieve and at the same time, let the native population participate in the benefits that accrue to migrants via the additional revenues collected. Benefits for economic migrants must exist because no one would consider leaving his home country and bearing the monetary and non-monetary costs of such a move otherwise.

The idea of selling the right to entry was originally put forward by Freeman (2006) and Becker (2011) and can be explained as follows: if the private returns from migration, as measured by a prospective migrant's earnings, increase with a migrant's skill level, then it would be more beneficial for highly skilled individuals to migrate than for low-skilled individuals. Consequently, the imposition of a high enough entry fee will discourage low-skilled individuals for whom the cost of entry will be higher than the gain from increased earnings. If the number of migrants decreases with the level of the entry fee, an appropriate setting of the fee will therefore control the number of migrants, while also delivering revenues for the destination country. This reasoning relies on the assumption that migrants are heterogeneous only in their skill intensity, but not in their skill type; or that destination countries only care about skill intensity. In other words, if, say, migrants with tertiary education have higher earning-prospects than migrants with secondary education, an entry fee can help a destination country to favour inflows of the former rather than the latter. While destination countries may prefer to host highly skilled individuals because, for instance, they are easier to integrate or they contribute more to the public budget, they are generally not indifferent to the type of skills migrants bring in. Certain skills may be highly sought after by destination countries due to skill shortages in specific sectors, or because of complementarities with existing country-specific skills or because they generate higher social returns. However, skill types that generate the highest social returns are not necessarily placed at the top of the pay distribution. STEM workers, for example, have a significant impact on total factor productivity in US cities, as Peri et al. (2014, 2015) show, but the annual mean wage of a mathematician is well below that of a manager or chief executive. In this case, if a destination country seeks to attract more scientists, setting a high entry fee does not necessarily deliver the skill composition it is aiming for. In Stark et al. (2017) we discuss these issues, and model the impact of opening up an economy to migration on the skill composition of the native workforce, assessing whether entry fees or quotas are most beneficial from the perspective of the destination country's workers. Both natives and migrants are heterogeneous in their skill level and type:

there are "scientists" and "managers". Scientists generate externalities that boost the productivity of the entire workforce, which is not the case for managers. On an individual level, working as a scientist confers prestige, whereas working as a manager does not. As a compensation for the lack of occupational prestige, managers receive earnings that are higher than those of scientists.

Our analysis shows that with a uniform entry fee, migrants are mostly highly skilled managers, as they can realise the largest private gains from migration. Thus, a uniform entry fee allows the country to select migrants by skill level, but not by type. While the revenues raised are large, the absence of migrating scientists negatively affects the productivity of the workforce. The outcome changes when a differentiated entry fee is available, which makes it possible to set different fees for managers and scientists. If generating revenue is not a priority, setting differentiated fees appears to be the most effective option, as it allows policy-makers to select migrants both by skill level and skill type. If appropriately designed, all or most migrants will be highly skilled scientists. The country can then benefit from positive externalities, but has to accept lower revenues. Would a differentiated quota deliver the same outcomes?<sup>3</sup> This policy allows a country to achieve the type of skills desired, i.e. managers or scientists, but not the level. If the externality is strong, only scientists will be allowed in – but they will have average skills rather than the highest possible skill level, because a quota only fixes a number and a type of migrants, but does not induce migrants to self-select according to the level of skills. If the externality is weak, managers of average skill level will be attracted to the destination country.

In short, as soon as one jointly contemplates the importance of skill levels and types, the design of selective policies is not straightforward as Stark et al. (2017) show. When the externality is weak, differentiated fees present the superior policy compared to uniform fees or quotas: migrants are selected by skill type, self-selection is effective and revenues are large. A trade-off emerges, however, if the externality is strong. If the aim of the destination country is to attain the optimal skill composition, differentiated entry fees will allow it to mostly admit scientists, but will deliver a lower level of revenues.

While entry fees seem an effective tool for giving destination countries the optimal skill composition of the workforce, it is important not to overlook that they may lead to distortions in migrants' education decisions, since they decrease the expected returns on that investment by reducing the migration probability of certain groups. The advantage of better self-selection with low administrative costs and the resulting

<sup>3</sup> Within the EU, quotas are not widely used as a way of determining the composition of highly skilled migrants. In some cases, there are occupation-specific quotas, which, however, do not always refer to skilled occupations, but can also include other occupations, like low-skilled seasonal workers.

revenues must be seen in relation to the potentially negative incentive effects (Stark and Wang 2002). In particular, if the goal of this selective policy is to make a country a more attractive destination for the highly skilled of any type or of specific types, the possible negative feedback of taxing the highly skilled should be taken into account.

#### IMMIGRATION TAX SUBSIDY

The arguments put forward so far seem to indicate that a restricted migration policy is superior to open borders if the former makes it possible to attract those individuals who are mostly needed in the destination country more effectively than the latter. This particularly holds true if the policy mostly relies on instruments that lead to greater self-selection among migrants, and if, furthermore, these instruments do not have too large negative effects on the education decision by migrants or distort their migration choice in other ways. This may explain why some countries use preferential tax treatments to encourage the arrival of specific migrants, rather than using taxes as a tool for self-selection and revenue collection. Migrants can qualify for such a scheme if they fulfil some specified conditions (see Table 2 for a selection of countries). In Denmark, for example, special rules apply for foreign scientists and highly-paid employees. If they meet a number of conditions, they may choose to pay a tax at a rate of 27% for a period of 84 months without deductions of any kind, instead of paying tax under the regular income taxation schedule. Similar schemes can, for example, be found in Finland and Portugal. In other EU countries, part of the wage income is exempted from taxation. This applies to Belgium and Italy, among others.

Compared to the point system, the administrative costs are low, as the conditions are mostly based on a small number of clearly defined criteria like wage income and/or skill type. A qualification, which is highly remunerated, should reflect a high skill level. In addition, by specifying conditions, which only apply to certain skill types, like scientists as in the Danish case, this policy makes it possible to treat those who exert larger positive externalities in a preferential way.

A preferential tax treatment is certainly a promising policy if a country wants to attract high-wage earners. Often, these exceptional rules are justified by positive external effects on other members of the workforce, if for example the productivity of co-workers increases or new jobs are created thanks to highly-qualified foreign workers. Of course, counteracting an existing or projected skill shortage is another potential reason. Although lower tax rates or other tax reductions mean lower tax revenues, ceteris paribus, most highly skilled migrants already contribute positively to public finances and social security systems in the short run. Furthermore, lower taxes mean a smaller distortion of the migration decision, but also of the preceding edu-

Table 2

**Tax Concessions for Highly Skilled Workers (Selection)**

Reduced tax rates			
	Tax rate	Time restriction	Requirement
Denmark	27%	7 years	Foreign scientists or employees who earn > DKK 65,100 per month
Finland	35%	4 years	Employees with a special expertise who earn > 5.800 Euro per month
Portugal	20%	10 years	Employees with a special expertise in specific sectors and returnees
Reduced tax base			
	Tax base (share subject to taxation)	Time restriction	Requirement
Belgium	20%	-	Foreign scientists
Italy	10%	3 years	Foreign scientists and returnees
Netherlands	70%	10 years	Foreign scientists or employees who earn > 37,296 Euro*
Sweden	75%	3 years	Foreign scientists/ employees with a special expertise or employees who earn > 44,800 SEK

\* A minimum salary of 28,350 Euro is applicable for those who have completed a Master's degree and are younger than 30 years.  
Source: OECD (2011) – updated by the authors for the most recent years.

cation decision. In the best case scenario, more highly-educated migrants come to a country.

Most schemes impose time restrictions on eligibility. After some few years, the tax privileges cease and wage income is subject to the normal tax rates, as preferential treatment is no longer considered justifiable on efficiency grounds. In addition, equity concerns play a role, as the progressivity of the tax system is reduced when foreign high-wage earners enjoy preferential treatment. Some migrants factor the restricted time into their migration decision and leave the country when they no longer qualify for the special scheme, which limits the long-run effects on the destination country's workforce of immigration subsidies.<sup>4</sup> In this case, the preferential tax policy does not have a major impact on migrants' education decision either, if at all. The higher remuneration of a qualification in the destination country only changes the cost-benefit calculus of the education decision to a small extent, if the stay abroad is meant to be temporary.

**CONCLUSIONS FOR EUROPE**

Europe faces a skill shortage challenge. Beside policies targeting the domestic population, attracting foreign skilled workers is another option. This article provided an assessment of various migration policies geared towards this goal. At the EU level, the introduction of the EU Blue Card was a step in this direction, as this card eases immigration by highly skilled from outside the EU, provided that they fulfil certain conditions. These conditions comprise of higher professional qualifications, an employment contract or a binding job offer with a high salary compared to the average of the EU country in which the job is offered. EU countries

<sup>4</sup> There is evidence that high-wage earners and those with high non-wage income are sensitive to the tax systems. For an interesting study on the effect of the preferential tax scheme in Denmark on foreign top earners' mobility, see Kleven et al. (2014). Akcigit, Baslandze, and Stantcheva (2016) study the effect of top tax rates on the international mobility of "superstar" inventors.

determine the details; they can also set an upper limit on the number of non-EU citizens who can enter for highly-qualified work.<sup>5</sup> At the moment, a new directive to attract highly skilled workers to the European Union is under discussion by the European Parliament and Council, with the goal of easing entry conditions and further harmonising the regulatory framework (European Commission 2016). On a country level, EU countries are mostly continuing to facilitate admission of highly skilled workers, for example, the Czech Republic and Italy, while some other EU and non-EU countries, like New Zealand, Denmark and the United Kingdom, have made their skilled migration policy more selective (OECD 2017).

There is, however, one important caveat: a selective migration policy only allows selection among those individuals who have an interest in coming to a country. To influence highly skilled workers' location decisions, in addition to a well-designed migration policy, the institutional framework of the destination country is also important. This comprises of labour market institutions, the transfer system, as well as the quality of the education sector and the design of family policy. In addition, a welcome culture is needed. Only in such cases can the destination country achieve its goals and benefit from the new ideas, skills and contacts that migrants bring with them.

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- <sup>5</sup> The Blue Card has not played a major role in most countries to date. In 2016, Germany issued 17,600 cards out of 20,900 (Eurostat, 2017).

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# Panu Poutvaara, Marcus Drometer, Carla Rhode and Martina Burmann A Novel Two-Track Labour Migration System for Germany<sup>1</sup>



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In view of imminent skill shortages and rising international competition for qualified migrants, a key objective of a new immigration system is to increase the prominence and attractiveness of Germany as a destination country for skilled workers. Migration systems can be demand oriented, such that residence permits are bound to a job offer and thus directly linked to the labour market needs. Alternatively, migration systems can be potential oriented, such that workers who have great potential to productively join the labour market, but do not have a concrete job offer, are able to immigrate and search for a job. The latter approach focuses on a candidate's skillset and qualifications and exists in several traditional immigration countries like Canada, Australia and New Zealand and is becoming more popular in other nations. Both tools are very useful for attracting qualified foreign workers and boosting national economic activity, while counteracting skills shortages. Hence, this article proposes a clearly structured, two-track immigration system consisting of a market-based channel and a potential-based point system, which takes the virtue of both migration approaches into account, unifying them in one framework (see Figure 1). The market-based channel, as shown on the left in Figure 1, allows people to apply for a permit if they have a valid job offer with a salary above a certain threshold. The potential-based track on the right hand side follows a point system and is open to candidates without a job offer, or with an offer where the salary does not meet the minimum requirement.

Nowadays, a modern and free online platform is an indispensable element of an active immigration policy. The two-track system is therefore supported by an electronic platform providing free information on the possibilities of labour-related migration to Germany in both English and German. A questionnaire on the homepage guides potential applicants to choose the most suitable of the two tracks based on their individual eligibilities. After choosing a track, applicants can apply on the same platform. As much of the application process as possible, including the proof of qualifications, should be carried out digitally to keep the

handling costs low. The already existing information platform "Make it in Germany" could be developed further to accommodate these suggestions.

For both tracks, the number of immigrants can be regulated via quotas, which can be adjusted to meet the country's demand on a regular basis. More specifically, an annual quota should be determined for each track, and subsequently divided into quarterly quotas. During the trial period of the new system, the quotas should be set sufficiently high. For the potential-oriented track, a quota of about 50,000 to 75,000 each year could be conceivable, and a significantly larger quota of 150,000 to 250,000 for the market-based channel. If the quota is not exhausted in the respective quarter, the remaining spots can be transferred to the following quarter. This, however, is only possible within the same calendar year. Additionally, unfilled spots in the point system can be transferred to the market-based channel, if the number of applicants in the market-based channel exceeds the effective quota. A transfer of contingents in the other direction is not possible.

The quotas not only include the respective applicants, but also the fully-aged family members joining them. The market-based channel's quota should also include immigrants who come to Germany via European regulations such as the EU Blue Card or the ICT scheme, since these channels would continue to exist alongside the new national system.<sup>2</sup> All current immigration schemes should be preserved until the new system is fully tested.

## MARKET-BASED IMMIGRATION CHANNEL

The objective of the market-based immigration channel is to considerably simplify demand-oriented immigration to Germany. Therefore, everyone who possesses a binding job offer with a salary that meets the minimum threshold should have the opportunity to apply for a temporary residence and work permit, valid for the duration of their employment contract. The responsibility of assessing the migration need is thus assigned to the labour market. If a third-country national receives an employment-contract in Germany, one can assume that there is actual demand and that the applicant's qualifications have been sufficiently reviewed by the employer. Hence, additional proofs of qualifications or costly labor market tests are not necessary.

In order for Germany to benefit from this kind of migration in the long run, the immigrating employee must be a net contributor to the welfare state. Thus, as with the EU Blue Card, salary plays a key role in the market-based immigration channel in addition to a binding job offer. To define an economically founded salary threshold, one must calculate the income one needs to

earn in order to be a net contributor. Being a net contributor is defined as the point at which one pays more social contributions and taxes to the welfare state than one received via benefits and public goods. Based on the relevant government expenditure per employed person and taking social contributions, income taxes and indirect taxes into account, a rough estimation of the gross salary threshold yields 34,000 € per year.<sup>3</sup> The calculated value, however, only serves as a guideline for policy-makers, enabling them to make informed decisions when determining the salary threshold. The actual salary threshold should be established in a polit-

<sup>3</sup> This estimation is based on data from Germany's 2016 national accounts (Statistisches Bundesamt 2017c). Government spending on public order and security, economic affairs, environmental protection, housing sector and municipal facilities, public health sector, leisure activities, sport, culture and religion, education sector as well as social spending on disease or occupational disability and family and children are considered in the calculations. When considering taxes and social security contributions, income tax and the solidarity surcharge are considered in addition to social security contributions for health insurance, nursing insurance and unemployment insurance. Moreover, it is assumed that the average share of indirect taxes accounts for 17% of each person's net salary. Next to economic know-how, access to relevant data is necessary to make an exact calculation. Therefore, it is conceivable that the calculations are conducted in the Federal Ministry of Finance, the Federal Ministry of Labour and Social Affairs or the Federal Ministry of the Interior for instance; or that a research institute is commissioned to conduct the calculations. Having specified the calculation procedure, the value should be regularly verified and adapted to new developments.

ical decision-making process, reviewed regularly and adjusted to current conditions.

For the industries and occupational groups in which the average salary lies above threshold, the inflow of foreign skilled employees is simplified substantially. To facilitate the migration of workers in industries where the average salary lies below the minimum threshold and where Germany experiences skill shortages, salary exceptions are introduced. Customary remuneration in the respective profession should, however, serve as a minimum salary level to avoid wage dumping. The conventional salary can, for example, be identified using the existing wage guide issued by the Federal Labour Office ("Bundesagentur für Arbeit").

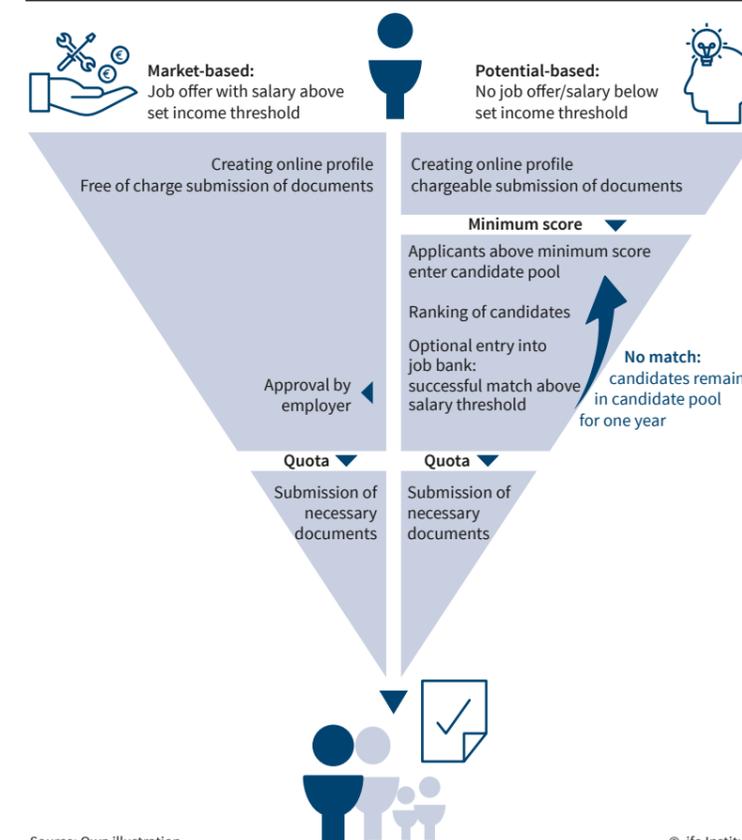
At the beginning of their application, applicants provide personal information, key data concerning the employment contract, as well as the employer's contact details via the online portal. If the information provided by the job seeker complies with the pre-determined criteria, the employer receives an automatic e-mail requesting a verification of the employment contract details. If the criteria are satisfied and confirmed by the employer and the quota has not been exhausted, qualified applicants are invited to submit proof of identity, a criminal record, as well as the labour

contract. This is also handled via the online portal or via alternative digital identification verification techniques. If the screening turns out to be successful, applicants receive a residence and work permit for the duration of the labour contract. If the quota has already been exhausted, the applicants are notified online that their application cannot be considered in the current quarter. To be considered in the following quarter, applicants must prove that the labour contract is still valid at a later starting point. If the minimum criteria for the market-based channel are not met, the applicant is asked to apply via the potential-oriented point system.

With respect to family reunion, the same regulations apply as for the EU Blue Card. If all living expenses can be covered for the entire family, family members traveling with the applicant may enter the country directly and access the labour market unrestrictedly. If the migrant loses the job applied for, he or she is granted

Figure 1

### ifo Concept: Two-track System for Labour Migration



Source: Own illustration.

© ifo Institute

<sup>1</sup> The article is based on an ifo study "High-Skilled Migration in Germany: Suggestion for a Novel Migration System for Highly Skilled Based on International Experiences" commissioned by the Chamber of Commerce and Industry for Munich and Upper Bavaria, 2018.

<sup>2</sup> Since potential candidates for the EU Blue Card and the ICT regulations can, in most cases, also immigrate through the market-based channel, European immigration channels will probably be used less frequently in the future.

three months to find a new position that complies with the market-based immigration criteria. He or she is not entitled to social benefits during this period. If no other adequate employment can be found within this time, the work visa expires and the applicant and his family must leave the country. Immigrants who meet the scheme's requirements throughout the duration of their work contract can apply for a permanent residence permit after three years, according to current regulations.

#### POTENTIAL-ORIENTED POINT SYSTEM

The objective of the potential-oriented channel is to widen the possibilities for migrants to obtain a residence permit for job seeking purposes. At the same time, the aim of creating the track is also to present the possibilities in a clear, transparent, and consistent way. To regulate potential-oriented labour migration, a two-stage point system should be introduced. Candidates without a binding job offer, or those who do not comply with the criteria for the market-based immigration track, can apply through this track.

Similarly to the market-based track, an online platform is crucial. For the potential-based track, interested persons can review the criteria of the point system online and determine their individual point score to assess their chances of getting accepted. If a person wishes to apply, he or she can set up a user profile with information on criteria like age, level of education, qualifications, working experience, job offer according to their qualifications, language skills (German and English) and social integration ability.<sup>4</sup> To reduce the number of unsuitable applications and to motivate self-selection of the applicants, a fee is charged for submitting the application. The application process is organised quarterly, so that potential applicants can complete and submit their profile on four different deadlines. Up until the deadline, applicants can update and revise their information electronically.

Once the user profile has been uploaded, all applicants scoring above the minimum score are invited to the candidate pool. A certain minimum threshold should be defined in advance to serve as the minimum score. It should be designed flexibly and can be adjusted quarterly to meet the requirements of the labour market. The minimum score is integrated into the preliminary assessment and accessible online for interested prospective applicants. Once accepted into the candidate pool, applicants can log on to the application portal and choose to share components of their profile with potential employers. The latter are then able to search the pool of applicants and invite suitable candidates to apply for a given job. In case of successful placement and an employment contract with a salary

above the minimum threshold of market-based immigration, the applicant can transfer from the potential-oriented to the market-based track.

If the applicant remains within the potential-based track, a ranking is then generated based on the total points of all candidates who are in the candidate pool at the effective date. Those ranked at the top are invited to hand in the required documents and register for a residence permit. The number of candidates invited depends on the quota. Candidates who are not successful, may remain in the pool for another four consecutive quarters and get the chance to qualify again. During this period, an applicant can improve his or her profile by adding newly acquired language skills, for instance, or integration courses.

As soon as all required documents have been handed in and reviewed, the candidates who have been accepted receive a residence permit entitling them to accept employment and search for a job. They may seek employment for up to 18 months. The occupation must either correspond to their qualification or comply with the salary criteria of the market-based immigration track. Immigrants must support themselves financially throughout the period of the job search, and therefore should have the possibility to pursue an alternative occupation to make a living. This is particularly relevant for young professionals without sufficient savings. Should no adequate employment be found after 18 months, the residence permit is not extended and the person must leave the country.

With respect to family reunion, the EU Blue Card rules apply in the potential-oriented track. If persons residing in Germany for job seeking purposes have enough funds to cover the living expenses of their family, they may instantly bring them into the country. Their family members get unrestricted and immediate access to the labour market.

#### RECOGNITION OF QUALIFICATIONS ACQUIRED ABROAD

The recognition of foreign educational and professional qualifications presents a crucial challenge for the acquisition of highly skilled workers from third countries. Currently, the recognition of foreign certificates is organised differently for various qualifications.

Firstly, an applicant can request the assessment of his or her university degree from abroad at the Central Office for Foreign Education. Additionally, the central database "anabin" provides useful information about the foreign universities that are recognized in Germany and the assessment of individual degrees. Secondly, as of April 2012 foreign professional qualifications are accredited by the Federal Determination and Recognition Act (an Act to Improve the Assessment and Recognition of Foreign Occupational Qualifications). The law can be applied to everybody and holds for the equivalence of federally regulated and non-regulated training professions. In the evaluation method, foreign profes-

sional qualifications are compared to German degrees based on formal criteria like content and duration. The emphasis lies on the comparability of contents taught. Applicants are then informed whether they are to receive either full recognition, partial recognition or no recognition. Due to the legislative change in 2011/2012, the recognition process for professional qualifications is applicable to applicants of all countries of origin and to many occupational groups. Thirdly, next to the above-mentioned act, there are additional laws concerning the recognition of foreign qualifications in certain occupational groups. In this case, it is the responsibility of the applicant to contact a specific certification authority that he or she can determine through an "authority finder" on the multilingual online portal "Anerkennung in Deutschland" (recognition in Germany).

As part of the proposed new scheme and to simplify the recognition process for the applicant, approvals will be managed by an overarching central authority. It is therefore not the applicant's responsibility to approach the appropriate authority in a specific case of recognition. Instead, he or she contacts a unified authority that takes care of transferring his or her request to the relevant sub-department. To boost user-friendliness, this centralised recognition authority is accessible via the online platform in both English and German.

In short, the recognition process of an applicant in the point system would proceed as follows: when entering qualifications in the online portal he or she can upload the necessary documents for recognition (in their original form, as well as a German or English translation) and pay the respective fee. The request for recognition along with the respective certificates would be automatically forwarded and processed by the responsible recognition authority. Any amendments or interposed questions would take place via the online platform (in English if necessary) and the final notice would also be communicated there. Through the electronic process, linguistic and logistic barriers could be reduced. In the point system, the application process as a whole, and the recognition process as a part thereof, could be offered on a joint platform.

The online recognition process is also open to potential immigrants who want to apply for a job in Germany outside the point system, or people who are already living in Germany. Like applicants of the potential-oriented track, they would create an online profile, choose the qualifications they seek to recognise, pay the relevant fee and upload the necessary certificates.

To attract additional workers for occupations facing skill-shortages, the current processes should be extended such that for training occupations candidates, who meet the required qualifications, but do not possess any formal certificate of previous vocational training, are incorporated. In this case, experienced workers can take a so-called external examination and thereby obtain the corresponding degree without hav-

ing participated in any formal job training in Germany. An option would be, for instance, to cooperate with the German Chambers of Foreign Trade and offer such external examination for individual professions abroad. In this case, interested professionals who do not possess the necessary formal certificate for their qualification could, for a fee and in their home country, prove their suitability for the German labour market. This additional possibility of recognition should first be introduced and evaluated in several main countries of origin and for certain professions before introducing it on a global scale.

#### CONCLUSION

Against the background of emerging skill shortages and increasing innovation pressures, it is increasingly important for companies to recruit qualified employees from abroad. Nonetheless, the share of employment related migration in Germany is relatively low, especially in comparison to traditional immigration countries like Canada. Therefore, this study proposes a novel two-track migration system to simplify current structures and boost the attractiveness of Germany as a destination country.

The suggested system blends a market-based and potential-based approach, uniting both supply- and demand-side aspects of migration. As a result, the novel system both simplifies the procedure for job holders, as well as creating an opportunity for professionals to immigrate without a job offer, or an offer below the salary threshold. The optional job entry in the potential-based system also allows employers to search for potential candidates and thus creates a possibility to match candidates and employers.

The recognition of foreign qualifications plays a key role in both migration tracks. Documents are forwarded to the authority in charge via a centralised system, and an accurate recognition of foreign qualifications is guaranteed. In combination with a modern online portal that provides extensive information and guides the application process, the new two-track system thus offers a less complex and more transparent procedure.

<sup>4</sup> Points for integration ability should be awarded for long prior stays in Germany (for instance within the context of a student exchange, studies, employment, social engagement), relatives in Germany and the successful participation in an integration course.

## Simone Bertoli and Jesús Fernández-Huertas Moraga The Effect of Visa Policies on International Migration Flows



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### INTRODUCTION

International migration flows are the combined effect of individual decisions to change one's own country of residence in search of better living conditions. Whether they leave their source country freely or are forcefully ejected, international migrants try to choose the destination that offers them their highest level of satisfaction and happiness. However, as in any individual or collective maximisation problem in economics, the decision of choosing which is the best country to live in is subject to restrictions.

Migration policies can, in principle, either ease or increase these restrictions, but they will only be able to do so if they are effective, that is, if they do, in fact, ease or restrict the access of international migrants to the countries where they are implemented.

There was very little evidence on the effectiveness of migration policies until the end of the 20th century. The widespread perception was that the rigorous migration policies of the United States before World War I (Hatton and Williamson 1998) had succeeded in stemming migration flows, but the very coincidence with the war made this claim difficult to quantify. The main reason for this lack of quantifiable evidence was the difficulty in obtaining both high quality data on migrant arrivals and a homogenous coding of migration policies. In a seminal paper, Hanson and Spilimbergo (1999) tried to overcome these problems by looking at the effect of hours spent patrolling the US-Mexico land border on apprehensions of Mexican undocumented immigrants at the border. They computed an effect of their migration policy variable (hours of work on enforcement) on a proxy for international migration flows (apprehensions). However, they could not translate this estimation into an effect on actual migration flows, as they lacked the data required to do so. Their work nevertheless gave rise to a large body of liter-

ature on the effects of border controls on migration flows, mostly focused on Mexico to US migration.

Despite the emphasis on undocumented border crossings, most of the international migrants to the United States and other developed countries actually travel by plane. When travelling by plane, a potential migrant may or may not need a travel visa to enter her destination depending on her country of origin. In order to facilitate tourism or business travel, many destinations exempt particular countries of origin from this travel visa requirement, offering their citizens a visa waiver. Together with Francesc Ortega, we first noticed that these visa waivers could actually have huge effects on regulating international migration flows (Bertoli et al. 2011). When Spain introduced a visa requirement for Ecuadorian travellers in August 2003, Ecuadorian immigration to Spain dropped by 80% and the effect of the policy was almost instantaneous (see Figure 1). In the five previous years Ecuador had become the second country of origin for immigrants in Spain, with over 400,000 arrivals.

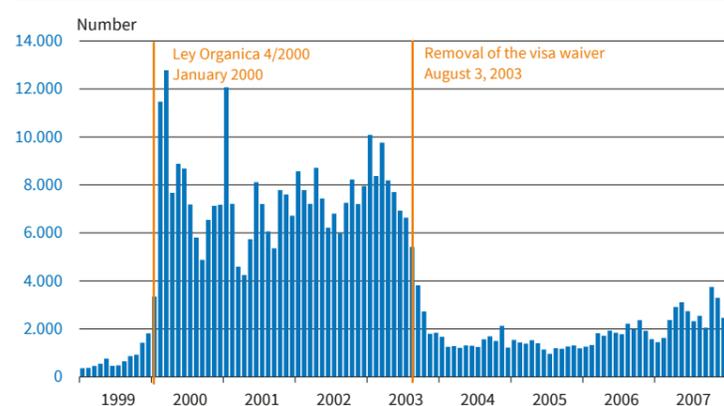
Later research showed that this type of effect was not specific to Ecuadorian inflows, but had a relevant role in explaining the Spanish immigration boom from several origins between 1997 and 2009 (Bertoli and Fernández-Huertas Moraga 2013) and general immigration flows to OECD countries between 1990 and 2000 (Bertoli and Fernández-Huertas Moraga 2015).<sup>1</sup>

Furthermore, these visa policies generate externalities, in other words, migration flows to third countries are also affected by them. When Spain introduced its visa requirement for Ecuadorians, this not only reduced migration flows from Ecuador to Spain, but also increased those from Ecuador to alternative destinations like the United States. This externality on third countries was first estimated by Bertoli and

<sup>1</sup> We are not the only authors who have shown the relevance of travel visa restrictions on international migration. Others like Beine and Parsons (2015) and Czaika and de Haas (2017) have confirmed and extended our earlier results.

Figure 1

Monthly Inflows of Ecuadorians to Spain, 1999 to 2007



Source: Bertoli et al. (2011, Figure 2).

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Fernández-Huertas Moraga (2015) although many authors had already hypothesised its existence (Boeri and Brücker 2005) or developed it theoretically in different contexts (Giordani and Ruta 2013).

Data and tools have finally become available to quantify the effect of visa policies on international migration flows. The key finding, according to the first results, is that the effects are very large and go beyond the particular origins and destinations that are targeted. The implication is that an optimal management of migration policies requires some type of coordination at the global level, otherwise migration policies could end up being more restrictive than the citizens of the countries imposing them actually want them to be.

The next section examines in greater detail what a travel visa policy is and how its direct effects are estimated. Section 3 explains its indirect effects on third countries and section 4 concludes the paper.

### DIRECT EFFECTS OF VISA POLICIES

Travel visa policies are dyadic variables. The dyad is formed by an origin-destination pair. They are imposed by a destination country on the travellers of an origin country. The direct effect of the visa policy refers to its effect on the migration flows going from a country of origin to a given destination. For example, if Spain imposes a visa requirement on citizens from Ecuador, the direct effect is the one observed in Figure 1: namely, how Ecuadorian migration flows to Spain vary with the visa policy.

To the best of our knowledge, Neumayer (2006) first decided to collect and codify data on visa waivers from the November 2004 edition of the International Civil Aviation Association's Travel Information Manual. Neumayer (2006) built a dichotomous variable signalling whether the citizens of a country of origin are requested to have a visa for entering into a country of destination, or whether they benefit from a visa waiver. Visas that need not be requested before travelling are considered as visa waivers, as a visa that can be obtained upon arrival is assumed to be easily attainable.

The first authors that considered the possibility that travel visas could impact migration flows were Grogger and Hanson (2011). They actually found that a visa waiver was correlated with an increase in migration flows of an origin to a destination of 80%, but barely commented on it because the result was marginally significant (Table 4, column 1) and it actually changed signs in an alternative specification (Table 5, column 1).

We (Bertoli and Fernández-Huertas Moraga 2013) compiled a database of changes in Spanish immigration policies between 1997 and 2009, a period during which Spain underwent the largest immigration boom in the OECD, receiving over 6 million immigrants and becoming the second immigration destination in the world after the United States. We regressed quarterly migration rates to Spain on the set of immigration policies, including travel visa restrictions, and other con-

trols, such as economic conditions at origin countries. Our key finding was that Spanish travel visa restrictions imposed on particular origins reduced the inflows into Spain from those sources by at least 74%. Notably, this result only emerged once our empirical strategy took into account what we termed as multilateral resistance to migration, that is, the influence exerted by third country conditions on bilateral migration rates. The reason is easy to understand. An empirical strategy that disregards third-country effects tends to conflate the direct effect of policies with the indirect effect on third countries. In the case of visa restrictions, it has to be taken into account that these are coordinated within the European Union. That means that, at the same time that Spain imposes a visa restriction on Ecuadorians, Italy, another popular destination for Ecuadorians, is doing the same. The Spanish visa makes migration to Spain more expensive and hence less attractive for Ecuadorians, but the Italian visa has the opposite effect. Making Italy less attractive makes Spain, in turn, more attractive. Trying to estimate the effect of the Spanish policy while disregarding the Italian policy will result in averaging across the two: the negative effects of the Spanish policy will be attenuated by the positive effects of the Italian policy.

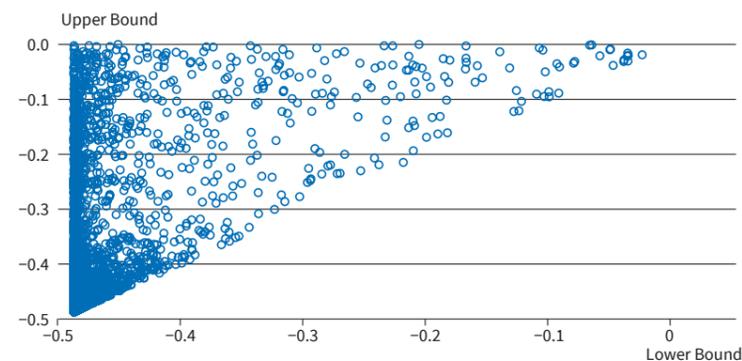
We hypothesise that the lack of an appropriate estimation strategy to control for third-country policies may have been behind the instability of the results in the earlier literature on the effects of migration policies. That has certainly been the case in our work. In Bertoli and Fernández-Huertas Moraga (2013), the effect of visa policies is statistically zero if we follow traditional methodologies, but highly significant if we control for multilateral resistance to migration.

In Bertoli and Fernández-Huertas Moraga (2015), we estimate the effect of travel visa policies on net migration flows from 182 origins to 31 OECD countries between 1990 and 2000. Again, when we follow traditional estimation strategies and disregard the role of alternative destinations, the results point to a zero effect of visa policies. However, once we control for multilateral resistance to migration, we estimate that travel visa requirements reduced immigration to the OECD by between 40% and 47% on average. In this case, we do not offer a more precise estimate because our data and our methodology do not allow us to recover a crucial parameter: the one governing the degree of substitutability between alternative destinations for a given origin. We know this is a correlation between 0 and 1, which gives us an upper and a lower bound, following Schmidheiny and Brülhart (2011), on the effect of visa policies for each origin-destination dyad. We thus have a whole distribution of effects depicted in Figure 2, with both bounds ranging between a 0 and 50% effect, but with the reported average of 40% for the upper bound (let us recall that it is a negative effect) and 47% for the lower bound.

The 1990-2000 data used in Bertoli and Fernández-Huertas Moraga (2015) came from the database

Figure 2

### Bounds for the Direct Effect of the Visa Requirement on Migration Flows to the OECD (1990–2000)



Note: Each circle refers to the effect for one origin-destination dyad.  
Source: Bertoli and Fernández-Huertas Moraga (2014, Figure 4).

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compiled by Docquier et al. (2009), which allows a separate estimation by skill level. It seems likely that the costs imposed by travel visa requirements should be easier to overcome by richer, more highly skilled individuals (with at least a college degree) than by low-skilled individuals. This is exactly what we find and report in Bertoli and Fernández-Huertas Moraga (2014), the longer version of the published article Bertoli and Fernández-Huertas Moraga (2015). Visa requirements reduced high skill immigration flows to OECD countries by between 35% and 42% between 1990 and 2000. In the case of low skill immigration, flows were reduced by between 40% and 50%.

Recently, Czaika and de Haas (2017) presented new estimates of the effect of travel visa restrictions on migration flows. Rather than using the evolution of visa policies of one particular country over time, as in Bertoli and Fernández-Huertas Moraga (2013) with Spain, or a single cross section of visa policies, as in Bertoli and Fernández-Huertas Moraga (2015) who used the original data from Neumayer (2006),<sup>2</sup> Czaika and de Haas (2017) take advantage of the new DEMIG VISA dataset<sup>3</sup> that they collected with other researchers in the framework of the DEMIG project.<sup>4</sup> This dataset extends the one used in Neumayer (2006) to the period 1973–2012. The authors complement this information with the DEMIG C2C dataset on bilateral immigration and emigration flows between 34 destinations and 190 origins between 1973 and 2011. Czaika and de Haas (2017) first document that visa introductions and removals are quite frequent, with over 1,000 changes in their dataset. They then go on to estimate the

<sup>2</sup> Bertoli and Fernández-Huertas Moraga (2015) estimated the effect of the 2004 visa requirements on 1990–2000 migration flows, which introduced measurement error in the visa variable. However, the results were robust to the estimation of the model with 2005–2006 data from Ortega and Peri (2013).

<sup>3</sup> Beine and Parsons (2015, table 11) used a small extraction of three years from this dataset to estimate the effect of visa requirements on migration flows between 1970 and 2000. They found that visa requirements reduced flows in that period by 55%.

<sup>4</sup> See [www.migrationdeterminants.eu](http://www.migrationdeterminants.eu). Unfortunately, neither the web page nor the DEMIG VISA data were yet available as of writing this paper.

effect of visa requirements on migration flows. They find that inflows are reduced by 67% and outflows by 88%, with a total effect of a 38% reduction in net migration. Their high quality data allows them to instrument for the visa policy with the similarity of voting patterns in the United Nations between the origin and the destination, although they do not control for multilateral resistance to migration and disregard zero corridors, which could potentially bias their estimates (Beine et al. 2016).<sup>5</sup>

### MIGRATION POLICY EXTERNALITIES: INDIRECT EFFECTS OF VISA POLICIES

Immigrants choose where to locate by evaluating their potential satisfaction with alternative destinations. This implies that a visa requirement imposed by a destination on a source country will not only directly impact the bilateral flow, but also the flows of that origin to alternative destinations. If visa restrictions restrict migration to a particular destination, they can also be expected to divert migration to locations that can be perceived as close substitutes by the prospective migrants.

The empirical difficulty lies exactly in whether the data can allow us to identify the degree of substitutability across destinations for the immigrants from a given origin country. To our knowledge, only Bertoli and Fernández-Huertas Moraga (2015) have tackled this issue empirically to date.

The same estimation strategy that allowed them to calculate that visa requirements reduced migration flows to OECD countries by between 40% and 47% between 1990 and 2000 implied some boundaries for the indirect effects of visa policies. In particular, they found that a visa requirement in a substitute country increased migration flows to a destination by between 3% and 17%. As before, there is a wide range of estimates, one for each origin-destination dyad, that are depicted in Figure 3. The range is even wider than in Figure 2, with both bounds lying almost between 0 and 1. This is because the differences in size between countries can make the indirect effects of the visa policy of a large country on a small country extremely large.

It is easier to understand the nature of these indirect effects by considering a couple of examples. Firstly, consider Canada, which received just over 12,000 migrants from Mexico between 1990 and 2000; our esti-

<sup>5</sup> Czaika and Neumayer (2017) do a better job with the same dataset when measuring the effect of visa policies on other globalization flows: travel, trade and FDI.

mates suggest that this bilateral flow is highly sensitive to the policies adopted in the US, which represent the largest destination for Mexican migrants. The estimated indirect effect of the US visa policy on Mexicans upon the migration flow from Mexico to Canada ranges between 90% and 91% of the actual flow. This figure is much larger than the direct effect of the Canadian visa policy toward Mexicans, which is estimated at minus 48%. Hence, the flow of Mexicans to Canada would respond less to a change in the Canadian visa policy than to a change in the US visa policy toward Mexicans.

Another example could be Turkish migration to Germany and the Netherlands. If Germany had offered a visa waiver to Turkish citizens during the 1990s, Turkish immigration to the Netherlands would have decreased by 54–57%: from 34,000 to 18,000–19,000. Turkish immigration to Germany would have gone up by 19–21%: from 390,000 to 465,000–472,000.

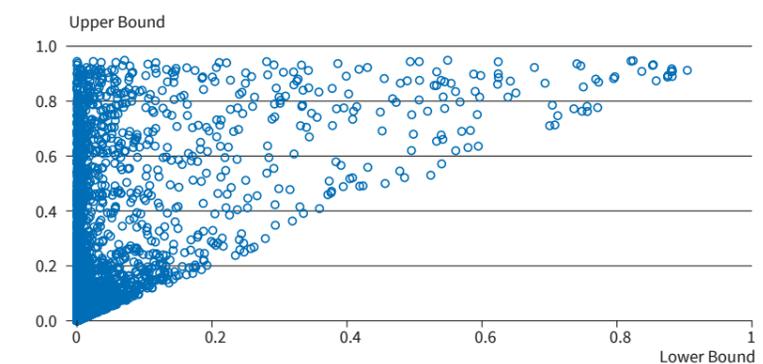
### CONCLUSION

Visa policies are effective in managing international migration flows. A visa requirement on the citizens of a source country has been shown to significantly reduce immigration from that source to the destination requiring the visa. Furthermore, this type of policy generates externalities, meaning that migration flows also correspondingly increase in substitute destinations, although their policies have not changed.

The implication of these results is that the unilateral setting of visa policies can be inefficient, as countries may not take into account that their policy could be affecting their neighbours. In economics, the solution to such inefficiencies is the coordination of these policies. This is what the Schengen Agreement did in Europe since 1990 with its common visa policy. Even if originally put in place to facilitate business and tourism trips and promote coordination in these areas, the European Commission is becoming fully aware of the implications of the common visa policy for immigration flows. This is illustrated by the European Commission's decision to introduce a visa suspension mechanism in 2013, to be activated if irregular migration flows from a visa-free origin increased substantially.

Figure 3

### Bounds for the Indirect Effect of the Visa Requirement on Migration Flows to the OECD (1990–2000)



Note: Each circle refers to the effect for one origin-destination dyad.  
Source: Bertoli and Fernández-Huertas Moraga (2014, Figure 4).

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## Highly Skilled Labour Migration in Europe

### INTRODUCTION

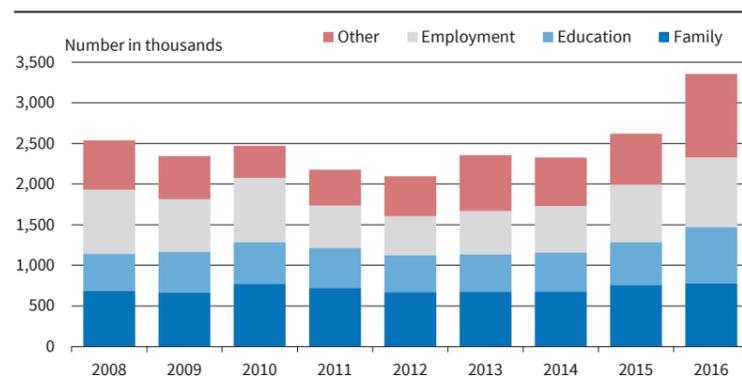
Along with globalisation, the intensity of movement of people has increased and economic activity has become increasingly interconnected. As our societies are more and more knowledge-based, countries are reliant on highly skilled workers as they drive innovation and development and enable nations to position themselves successfully in the competitive global economy. In the light of population ageing and skill shortages, attracting highly skilled workers has become an important task of countries worldwide. In Europe in particular, demographic change and a lack of skilled labour are prompting governments to introduce direct measures to actively recruit economic migrants, especially highly skilled workers. Since most countries in Europe face similar challenges, highly skilled migrants from third countries are particularly important.

In the following sections, we will first present a descriptive overview of migration flows into the EU as a whole, as well as into individual EU countries, differentiating by visa type. We also provide some descriptive evidence for skill shortages in the EU economies. Afterwards we will outlay a major supranational labour migration policy, the EU Blue Card, which was introduced in 2009, as well as selected national migration policies aimed at attracting skilled migrants from third countries. We will also compare labour migration pol-

<sup>1</sup> ifo Institute (all).

Figure 1

First Residence Permits Issued by Reason, 2008–2016



Note: EU-27 for 2008–2012. EU-28 from 2013 onwards. Estimate for 2008 includes 2009 data for Luxembourg. Estimate for 2016 includes 2015 data for Ireland.

Source: Eurostat (2018).

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icies in the EU with those in place in selected non-EU countries. In addition to attracting new workers, recent international student graduates also constitute a potential pool of highly skilled workers. Designing policies that allow graduates to transition from their studies into the host-countries' labour market offers another way of building and strengthening a country's highly skilled labour pool. Such policies will be investigated in the last section.

### MIGRATION INTO THE EUROPEAN UNION

In 2015, the EU-28 member states experienced a total inflow of 4.7 million migrants (Eurostat 2017a) with 2.4 million migrants coming from non-EU member countries. Figure 1 shows residence permits issued by authorities of EU member states to third country nationals between 2008 and 2016 (in thousands), categorised by four main reasons for migration, namely employment, education, family reunification and 'other reason', which includes humanitarian reasons.<sup>2</sup> In 2016 there was a sharp increase of 28% in the number of residence permits issued, with 733,484 more permits issued than in 2015. The upturn was mainly due to 'other reasons,' which increased by 400,509 permits, with 280,000 permits issued to beneficiaries of international protection. With over one million permits distributed for 'other reasons', this category accounts for 31% of all permits in 2016. The second largest share of permits was employment-related with 852,747 (25%), followed by 779,301 family-related permits (23%) and 694,648 education related ones (21%). Throughout the past years the share of labour migration has been relatively constant at approximately 25%. However, while the overall size of migration flows is relatively large in Europe, 25% is a relatively small share of economic migrants in comparison to traditional destination countries. In Canada, the share of economic migrants reached over 60% throughout the past five years (CIC News 2017).

Looking closer at individual countries within the European Union, the United Kingdom issued 865,894 permits in 2016, followed by 585,969 permits granted in Poland and 504,849 in Germany. A detailed overview is provided in Table 1. In terms of employment-based permits, Poland issued 493,960 permits in 2016, making up 84% of its total authorisations. The United Kingdom and Germany issued relatively few employment-based permits, which accounted for just 14%

and 8% of their total authorisations respectively. Residence permits based on education represent 21% of all residence permits issued among EU-28 countries in 2016. The United Kingdom accounts for over 50% (365,455 permits), demonstrating its continuing attractiveness as a destination for education purposes. As far as family-motivated migration is concerned, Germany leads with 136,982 permits issued in 2016. In terms of the absolute number of permits issued for humanitarian and international protection reasons, the United Kingdom (294,022) and Germany (282,232) issue the highest number of permits. However, if looking at the share of these permits, Germany (56%), Sweden and

Austria (both 51%) are at the top of the list with the United Kingdom (34%) in 8<sup>th</sup> place.

A closer look at the skill composition within the labour force reveals that access to skilled labour is crucial for innovation in firms, as well as for the growth and development of the economy. If firms cannot meet their demand for skilled labour, this may result in skill shortages, which is defined as a state in which an employer and the economy lack skilled workers, to the extent that there are not enough people with a particular skill to meet demand. According to a study by Man Power Group (2017), Figure 2 shows the percentage of firms with 10 or more employees whose management

Table 1

First Residence Permits Issued by Reason and Country, 2016

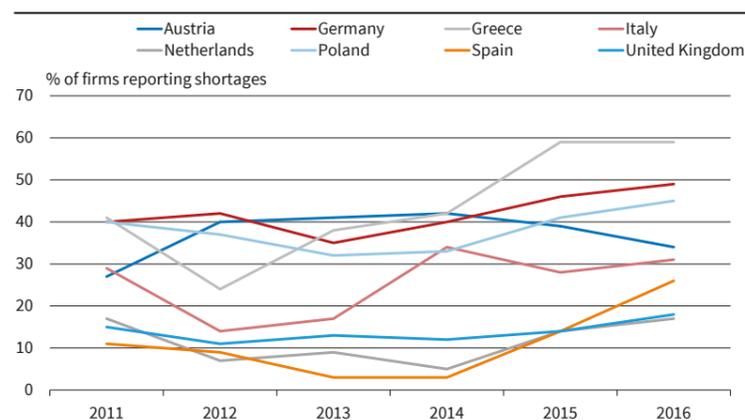
	Total permits issued (persons)	Family (persons)	(% of total permits issued)	Education (persons)	(% of total permits issued)	Employment (persons)	(% of total permits issued)	Other (persons)	(% of total permits issued)
EU-28 *	3 355 506	779 301	23.2	694 648	20.7	852 747	25.4	1 028 810	30.7
Belgium	53 096	26 325	49.6	6 303	11.9	5 181	9.8	15 287	28.8
Bulgaria	7 942	3 240	40.8	1 067	13.4	276	3.5	3 359	42.3
Czech Republic	80 070	24 568	30.7	17 099	21.4	23 097	28.8	15 306	19.1
Denmark	41 440	12 883	31.1	10 481	25.3	10 208	24.6	7 868	19.0
Germany	504 849	136 982	27.1	46 083	9.1	39 552	7.8	282 232	55.9
Estonia	4 308	1 424	33.1	1 114	25.9	1 339	31.1	431	10.0
Ireland **	38 433	3 444	9.0	22 075	57.4	6 073	15.8	6 841	17.8
Greece	44 072	23 598	53.5	902	2.0	2 133	4.8	17 439	39.6
Spain	211 533	115 143	54.4	35 636	16.8	38 154	18.0	22 600	10.7
France	235 011	93 873	39.9	73 572	31.3	23 076	9.8	44 490	18.9
Croatia	5 315	1 673	31.5	526	9.9	2 634	49.6	482	9.1
Italy	222 398	101 269	45.5	16 847	7.6	9 389	4.2	94 893	42.7
Cyprus	16 970	2 332	13.7	3 313	19.5	7 385	43.5	3 940	23.2
Latvia	6 037	2 197	36.4	1 314	21.8	1 736	28.8	790	13.1
Lithuania	6 750	1 173	17.4	928	13.7	4 082	60.5	567	8.4
Luxembourg	5 627	2 952	52.5	420	7.5	1 340	23.8	915	16.3
Hungary	22 842	4 730	20.7	7 874	34.5	5 851	25.6	4 387	19.2
Malta	8 995	1 719	19.1	1 848	20.5	3 036	33.8	2 392	26.6
Netherlands	95 753	24 962	26.1	16 317	17.0	14 621	15.3	39 853	41.6
Austria	50 066	15 635	31.2	5 770	11.5	3 337	6.7	25 324	50.6
Poland	585 969	8 416	1.4	32 676	5.6	493 960	84.3	50 917	8.7
Portugal	30 993	14 847	47.9	3 837	12.4	5 948	19.2	6 361	20.5
Romania	11 867	3 871	32.6	4 631	39.0	1 766	14.9	1 599	13.5
Slovenia	13 517	4 592	34.0	1 799	13.3	6 894	51.0	232	1.7
Slovakia	10 227	2 582	25.2	1 723	16.8	3 590	35.1	2 332	22.8
Finland	28 792	7 833	27.2	6 235	21.7	5 381	18.7	9 343	32.4
Sweden	146 740	47 697	32.5	8 803	6.0	15 632	10.7	74 608	50.8
United Kingdom	865 894	89 341	10.3	365 455	42.2	117 076	13.5	294 022	34.0
Iceland	1 469	479	32.6	423	28.8	304	20.7	263	17.9
Liechtenstein	785	533	67.9	50	6.4	99	12.6	103	13.1
Norway	38 349	15 133	39.5	3 673	9.6	7 021	18.3	12 522	32.7
Switzerland	42 021	19 508	46.4	10 222	24.3	10 033	23.9	2 258	5.4

Notes: \*Estimates for 2016 include data for Ireland from 2015 \*\* Data from 2015 Source: Eurostat (2018)

<sup>2</sup> The category 'others' also includes stays without the right to work and people in the process of a permission authorisation.

Figure 2

Skill Shortages Reported by Employers, 2011–2016



Source: Man Power Group (2017).

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reported facing difficulties with reference to filling skilled vacancies. In 2016, employers reported the highest talent shortage since 2007. In Greece 59% of employers reported difficulties in filling qualified positions, followed by 49% in Germany, 45% in Poland and 40% in Austria. Thus, the domestic labour force in certain countries is not sufficient to secure the skill base in the long term. Countries are increasingly aiming to attract foreign skilled workers as a result in order to combat growing skill shortages in the short and medium term.

**MIGRATION POLICY**

In a response to globalisation and labour market needs, migration policies can be used as a tool by destination countries to manage the volume, origin, direction and composition of migration flows (UN 2013). Migration policy can include both laws and regulations, as well as specific programmes. Labour migration policies differ in the ways in which they seek to attract workers. The systems are generally either demand-driven, such that an employment offer and contract triggers the decision to admit a migrant, or supply-driven, such that the migrants themselves launch the admission process and pass it based on their education, abilities and potential to successfully integrate. Often countries also implement a hybrid structure merging both supply-driven and demand-driven approaches in their migration policies. In Europe, both EU-wide and national legislations influence the entry and residence conditions for migrants.

**THE EU BLUE CARD**

The “EU Blue Card” was introduced in 2009 as part of the European Council Directive to focus on selective migration policy. The EU Blue Card is an EU-wide work permit for highly qualified employment, aimed at making Europe a desirable destination for qualified work-

ers from third countries. The EU Blue Card is recognised and implemented by 25 EU member states, apart from Denmark, Ireland and the United Kingdom. It establishes the entry and residence conditions for third-country nationals and is designed to be demand oriented, such that immigration follows the needs of the labour market of the country where the application is submitted. Consequently, a binding job offer or valid employment contract for at least one year<sup>3</sup> is a principal requirement. Additional standard prerequisites include qualification certificates and verifiable work experience.

A job is approved if its gross annual salary exceeds a defined minimum threshold. The threshold is determined by the national governments to ensure equal working standards for national workers and EU Blue Card holders. While the original directive contains a threshold of 1.5 times the average gross annual income of the country, a new proposal of European Parliament and European Commission suggests a threshold between one and 1.4 times the average.<sup>4</sup> In addition to the overall minimum threshold, countries can specify a lower secondary threshold for professions with a skill shortage. Currently, Luxembourg, Germany, Estonia and Hungary have specific thresholds for highly skilled immigrants with qualifications in natural sciences, engineering, informatics, medicine or care. Besides salary thresholds, the EU Blue Card entails national priority reviews and labour market tests as optional instruments for the coordination of immigration.<sup>5</sup> In addition, national governments can limit immigration via quotas, as well as determining the period of validity of the Blue Card and the processing fees.

In 2015, a total number of 17,104 EU Blue Cards were approved, with most of them issued by German authorities. In 2016, the number of approvals increased to 20,979, with the highest number of EU Blue Cards issued in Germany with a total of 17,630, followed by France with 750, Poland with 673, Luxembourg with 636, and Italy with 254. In addition to the number of EU Blue Cards issued per country, Table 2 summarises the country-specific characteristics of the EU Blue Card concerning fees, validity period and salary thresholds.

<sup>3</sup> The new proposal of European Parliament and European Commission suggests reducing the condition to 9 months.

<sup>4</sup> According to the current legislation process, official changes are expected in June 2018.

<sup>5</sup> National priority reviews establish that candidates from third countries can only take a job if no appropriate worker within the EU was found. Labour market tests assure that no local worker is available to do the job and that the pay and conditions offered to the foreign worker are not below those offered to native workers. In most countries neither rule is practiced for EU Blue Cards.

Table 2

Cross-Country Comparison of the EU Blue Card

Country	Fee	Standard Validity Period	Salary Threshold	Blue Cards issued in 2016	Special Threshold
Luxembourg	80 EUR	24 months	73 998 EUR **	636	59 198 (2018) For mathematicians, statisticians, software and application developers, database and network professionals, among others.
Netherlands	938 EUR	48 months	66 873 EUR **	42	N/A.
Sweden	204 EUR	24 months	60 233 EUR *	11	N/A.
Austria	120 EUR	24 months	60 984 EUR **	163	N/A.
Finland	470 EUR (400 for electronic application)	24 months	54 936 EUR *	33	N/A.
France	269 EUR	36 months	53 836 EUR *	750	N/A.
Belgium	215 EUR	13 months	52 978 EUR **	31	N/A.
Germany	140 EUR	48 months	52 000 EUR **	17630	40 560 (2018) For jobs with a shortage of applications (natural scientists, mathematicians, engineers, doctors and skilled academic personnel in information or communication technologies).
Spain	418 EUR	12 months	42 119 EUR *	21	N/A.
Greece	300 EUR	24 months	31 435 EUR*	0	N/A.
Slovenia	102 EUR	24 months	28 529 EUR *	19	N/A.
Romania	179 EUR	24 months	32 419 EUR *	92	N/A.
Italy	274 EUR	24 months	25 500 EUR *	254	N/A.
Cyprus	50 EUR	12 months	33 822 EUR *	0	N/A.
Portugal	103 EUR	12 months	30 690 EUR *	1	N/A.
Lithuania	116 EUR	36 months	28 800 EUR *	127	14 400 (2017) For 27 special professions (mainly programming and engineering).
Croatia	137 EUR	N/A	19 338 EUR °	32	According to the Ministry of Interior's webpage and the related Aliens Act, salary thresholds vary with branches.
Estonia	120 EUR	27 months	20 628 EUR *	22	17 052 (2017) For top specialists in natural or technical sciences, health services and information or communication technology, among others.
Malta	255 EUR	12 months	26 499 EUR *	12	N/A.
Poland	111 EUR	24 months	16 847 EUR *	673	N/A.
Slovakia	170 EUR	36 months	15 102 EUR °	4	According to the Immigration Information Center's webpage, salary thresholds vary with branches.
Latvia	100 EUR	60 months	14 724 EUR *	112	11 784 (2017) For certain professions having labour shortage specified by the Cabinet of Ministers.
Hungary	60 EUR	12 – 48 months	13 716 EUR *	5	10 956 (2015) For general doctors, pharmacists, nurses and others in the medical sphere.
Czech Republic	92 EUR	24 months	12 963 EUR *	194	N/A.
Bulgaria	278 EUR	Contract duration + 3 months; max 4 years	8 725 EUR *	115	N/A.

Notes: °Data from 2015; \* Data from 2017; \*\* Data from 2018  
Source: DICE, European Commission, Eurostat<sup>4</sup> (2017c).  
<sup>1</sup> All displayed data refer to 2014, unless otherwise indicated. Exchange rates updated on February 2016.  
For the numbers of issued Blue Cards see [http://ec.europa.eu/eurostat/web/products-datasets/-/migr\\_resbc1](http://ec.europa.eu/eurostat/web/products-datasets/-/migr_resbc1) (5th January 2018).

The shortest validity period can be found in Spain, Cyprus, Portugal, Lithuania, Malta and Bulgaria with a validity of only 12 months. In contrast, Latvia has determined a validity period of 60 months. Countries issuing relatively large shares of EU Blue Cards range in their validity periods from 24 to 48 months. The processing fees vary across countries from 50 Euros in Cyprus to 881 Euros in the Netherlands.

According to the European directive, EU Blue Card holders must be treated identically to the national population in terms of social legislation and employment law (ISP). Furthermore, they enjoy several rights once the residence permit has been approved in terms of family reunification, employment, free movement within the EU and permanent residence status. As far as family reunification is concerned, the directive grants close family members the right to live and work in the member state where the EU Blue Card holder is registered. Residence permits for family members must be issued at least six months after the application for family reunification has been submitted. With respect to

employment, EU Blue Card holders are not allowed to be self-employed within the first two years of residence. In case of a change in employment, the national authorities need to grant official permission throughout this period. After at least 18 months of working and living in a member state, EU Blue Card holders and their families can move to another member-state for working purposes if the criteria of a qualified profession in the second member-state continue to be fulfilled. A permanent residence permit can be obtained after five years of continuous residence under EU Blue Card status. The EU Blue Card holder must have been living and working in the member-state where the permanent residency application is submitted for the last two years prior to applying for permanent residence status.

**EXAMPLES OF NATIONAL POLICIES IN EUROPE**

In addition to supra-national policies, governments in the EU have introduced direct national measures to actively recruit highly skilled economic migrants. Since

the EU Blue Card makes up only a part of skilled labour migration to the European Union, this allows member states to attract additional highly skilled workers and to differentiate themselves within the EU as an attractive destination country. The following sections will take a closer look at Austria and the United Kingdom, which both implement variations of a point-system to manage migration flows.

**RWR-Card in Austria**

The most dominant pillar of the Austrian migration system, in addition to the EU Blue Card, is the Red-White-Red (RWR) Card for highly qualified workers from non-EU member states, which was introduced in 2011.<sup>6</sup> The RWR-Card is allocated based on a point-system fol-

lowing international role models such as Canada and Australia. The requirements and the approval processes, however, differ among the four categories of skilled occupation (particularly highly skilled job-seekers, shortage occupations, key workers and start-up founders). The corresponding scoring systems for each category are summarised in Table 3.

In general, the RWR-Card is considered to be demand-driven since for three of the four categories a valid job offer is a principal prerequisite.<sup>7</sup> Only the job-seeker visa for *particularly high-qualified workers* can be classified as supply-driven, since applicants for this scheme do not need a job offer prior to applying, but can search for an employment on-site for six months instead. If they receive a job offer within this period, they are entitled to apply for a RWR Card. The approval

<sup>6</sup> The RWR-Card replaced the key worker scheme ("Schlüsselkraftverfahren") for highly qualified applicants from third countries.

<sup>7</sup> Demand-oriented migration schemes that require either a valid job offer or an investment or business plan are labelled with a briefcase icon.

Table 3

Summary of Point-System for Categories of the RWR-Card in Austria

Job-Seeker Visa	
Qualifications (max. 40 points)	Completed university studies (20 points) Completed university studies in STEM subjects (30 points) Habilitation, PhD (40 points) Last year's gross income above €50,000 (max. 30 points) Activities in research and innovation (20 points) Acknowledged awards (20 points)
Appropriate work experience or leading position (max. 20 points)	Years of work experience (2 points per year) Work experience in Austria for six months (10 points)
Language skills (max. 10 points)	German or English (A1) (5 points) German or English (A2) (10 points)
Age (max. 20 points)	Up to 35 years (20 points) Up to 40 years (15 points) Up to 45 years (10 points)
University studies in Austria (max. 10 points)	Half of the required ECTS-points (5 points) Complete university studies (10 points)
Shortage occupation 	
Qualification (max. 30 points)	Completed vocational training in shortage profession (20 points) General university entrance qualification (25 points) Completed tertiary education (30 points)
Appropriate work experience (max. 20 points)	Years of work experience (2 points per year) Work experience in Austria (4 points per year)
German skills (max. 15 points)	A1 (5 points) A2 (10 points) B1 (15 points)
English skills (max. 10 points)	A2 (5 points) B1 (10 points)
Age (max. 15 points)	Up to 30 years (15 points) Up to 40 years (10 points)
Key Worker 	
Qualification (max. 30 points)	Completed vocational training in future employment (20 points) General university entrance qualification (25 points) Completed tertiary education (30 points)
Appropriate Work experience (max. 20 points)	Years of work experience (2 points per year) work experience in Austria (4 points per year)
Language skills (max. 15 points)	German A1 and English B1 (10 points) German A2 and English B2 (15 points)
Age (max. 20 points)	Up to 30 years (20 points) Up to 40 years (15 points)
Start-up founders 	
Qualification (max. 30 points)	Completed vocational training in future employment (20 points) Completed tertiary education (20 points) Completed studies or vocational training in Austria (30 points)
Appropriate work experience (max. 10 points)	Years of work experience (2 points per year)
Language skills (max. 15 points)	German A2 (5 points) German B1-B2 (10 points) German C1-C2 (15 points) English (10 points)
Additional criteria (max. 30 points)	Capital of €50,000 (10 points) Admission to the Austrian Start-up Center or scholarship of the Start-up authority (10 points) Age up to 35 years (10 points)

Source: Austrian Government (2018).

Table 4

Initial Residence Permits Issued for Working Purposes (2011-2017)

Year	RWR-Card and RWR-Card Plus		Total number of first-time residence permits
	Issued to applicants	Issued to family members	
2017	7.749	3.334	23.896
2016	8.361	3.533	25.579
2015	8.283	3.588	28.057
2014	7.486	3.697	26.650
2013	8.097	3.424	26.485
2012	9.568	3.350	28.423
2011	4.697	1.472	27.122

Source: Austrian Government (2017).

procedure for such a visa is points-based, with a maximum of 100 points and a minimum requirement of 70 points. Offering job searching visas through a points system is unique in Europe. Germany, for example, offers job searching visas, but they are specifically targeted at graduates of German universities (18 months, including a work permit) and people who have completed German vocational training (12 months, including a work permit). Applicants with an officially approved university degree from outside Germany can also apply for a job seeker visa valid for six months, but this visa does not include a work permit.

*Highly skilled workers in shortage occupations* must have a valid Austrian job offer that fulfils the salary requirements and the shortage occupation criteria.<sup>8</sup> Given these prerequisites, applicants must achieve a minimum of 55 out of 90 points to obtain the RWR Card. A similar points system selects *key workers* with a valid job offer. In addition to a minimum of 50 out of 75 points, their monthly gross income must exceed €3,078 for workers over 30 years and €2,565 for workers under 30. These numbers apply to the year 2018 and are recalculated annually. Furthermore, the *key workers* scheme requires applicants to successfully pass a labour market test as previously introduced.<sup>9</sup> *Start-up founders* applying for a RWR-Card must score at least 50 out of 85 points to qualify. The fifth category eligible to receive a RWR-Card, *autonomous key workers*, are not selected via a points-based system, but according to the following four criteria: their future occupation is associated with an investment capital of €100,000, it safeguards or creates jobs, it transfers know-how or new technologies to Austria and the future firm is of major regional importance.

Successful applicants and holders of the RWR-Card are allowed to work and live in Austria for 24 months. After having fulfilled the employment requirements for at least 21 months, they may apply for the RWR-Card Plus. This residence and work permit entitles third country workers to change employer if employed or

to pursue self-employment. Family members of RWR-Card holders (spouses, registered partners and children under 18) are eligible to receive the RWR-Card Plus immediately.<sup>10</sup>

According to official statistics the number of annually issued RWR-Cards and RWR-Cards Plus generally reaches the target of 8,000 highly skilled immigrants a year.<sup>11</sup> Table 4 shows the number of initial RWR residence permits issued both to applicants and family members, as well as the overall number of residence permits issued in Austria. In comparison to the previously used key worker scheme, the number of permanent resident permits issued for working purposes has increased.

**Tiers System in the United Kingdom**

As opposed to Austria and most other EU member countries, the immigration system of the United Kingdom does not include the EU Blue Card. Instead, the UK manages its migration flows via a national immigration system consisting of five different tiers that have gradually been established since 2008. The tiers offer different types of applicants the opportunity to immigrate: Tier 1 addresses highly skilled entrepreneurs, investors and exceptionally qualified applicants, tier 2 is aimed at skilled workers with an existing job offer, tier 3 was designed for low-skilled immigration, but never implemented, tier 4 is designed for the educational purposes of non-EU students, and tier 5 for temporary working purposes. In general, the tiers system is considered to be demand-driven since a valid job offer, proof of investment capital or self-employment is a requirement. Although applicants are selected based on their overall score, the scores achieved in various sub-criteria also matter. This means that applicants cannot compensate for missing points in one criterion by scor-

<sup>10</sup> For the regulations and criteria see: [www.migration.gv.at/de/foer-men-der-zuwanderung/dauerhafte-zuwanderung-rot-weiss-rot-karte.html](http://www.migration.gv.at/de/foer-men-der-zuwanderung/dauerhafte-zuwanderung-rot-weiss-rot-karte.html) (18th December 2017).

<sup>11</sup> In contrast, the Austrian media has reported numbers of yearly issued RWR-Cards that are below the general target, and has criticised high application requirements and bureaucratic hurdles. The critique has ignited a reform debate about the RWRCard scheme in Austria.

<sup>8</sup> The shortage occupations list is published annually in accordance with the needs of the Austrian labour market, by the Federal Minister for Labour and the Federal Minister for Economic Affairs.

<sup>9</sup> A labour market test assures, in this case, that no qualified Austrian worker is available before offering the job to a third-country applicant.

Table 5

Tiers of the UK National Immigration System

Tier 1 <sup>1</sup>	Scoring	High-Value Migrants
(Graduate) Entrepreneur Exceptional Talent Investor	Attributes (75 points)  English language skills (10 points) Maintenance (10 points)	ENTREPRENEUR Access to min. £200,000 of disposable investment funds (£50,000 under certain conditions) (25 points) Investment funds held in regulated financial institution (25 points) Investment funds that are free to spend (25 points)  GRADUATE ENTREPRENEUR Endorsement of business plan (50 points) University level qualifications (25 points)  At least B1 and/or academic qualification taught in English Personal savings of at least £3,310
Tier 2	Scoring	Skilled Workers
General (Skilled worker with job offer) Intra-company transfer Minister of Religion Sportsperson	Attributes (50 points)  English language skills (10 points) Maintenance (10 points)	GENERAL Certificate of Sponsorship including Resident labour market test exemption or extension (min. 30 points) Appropriate yearly gross salary (min. 20 points) £30,000 New entrant: £20,800 Medical radiographers, nurses, secondary education teaching professionals in selected subjects, paramedics: £20,800  At least B1 and/or academic qualification taught in English Personal savings of at least £945  INTRA COMPANY TRANSFER Certificate of Sponsorship (Level 6) according to the Regulated Qualifications Framework (min. 30 points) Appropriate yearly gross salary (min. 20 points) Long-term: £41,500 Short-term: £30,000 Graduate Trainee: £23,000

**Tier 3 – Low-Skilled Workers**  
This Tier was never effectively implemented as there was no need for additional unskilled/low skilled workers in UK.

**Tier 4 – Adult Students**

Main requirement is the admission to a study program.

**Tier 5 – Temporary Workers**

Main requirement is the sponsorship by (higher education) institutions, government departments and agencies.

<sup>1</sup> Tier 1 "General" (highly skilled migration without job offer) was abolished in 2010 for applicants from outside the UK. Source: UK Government (2018), Workpermit (2018).

ing higher in another.<sup>12</sup> The specificities of the tiers and their sub-criteria are summarised in Table 5.

Tier 1 *Entrepreneur* offers residence and work permits for three different categories of entrepreneurial candidates: (*graduate*) *entrepreneurs*, *exceptional talents* and *investors*, who plan to invest in the UK and establish a business. For a residence and work permit, an *entrepreneur* must score a full 95 points to be granted a visa, with 75 points applying for financial attributes, and the remaining 20 points for language proficiency and maintenance. A *graduate entrepreneur visa* also requires a full 95 points, but in addition to the maintenance and language proficiency points, 50 points are assigned for an endorsement of the credibility of their business plan by the Department for International Trade or by a recognised higher education institution and 25 points for university level qualifications. *Exceptional talents* are granted a permit if they are considered (emerging) leaders in the fields of science, humanities, medicine, engineering, digital technology and the arts. In this case no point system applies; they are simply endorsed by the UK Home Office subject to an annual limit of 1,000 places. *Investor applicants* must score 75 points to be granted a visa, being entirely

related to their financial attributes or those of their partner. Until 2010 high skilled applicants could also apply for tier 1 throughout a points-based selection system without having a job offer.

Tier 2 consists of four different categories. Under the *General* category applicants can obtain a work and residence permit for a maximum of 5 years and 14 days if they have a valid job offer from a licensed employer in a shortage occupation in the UK. This category is comparable with the employer sponsored immigration also available in other high-qualified migration systems and is clearly demand-oriented. The scoring system requires 70 points in total, which are laid out in Table 5. In addition, immigration through the category of *Intra-Company Transfer* is possible if the company for which the applicant works is a multinational firm with a branch in the UK. Moreover, there should be no national worker available to fill the vacancy in question. Within this category there are three sub-categories for long and short-term transfers, as well as for graduate training programmes. A total of 70 points is required. The categories *Sportsperson* and *Minister of Religion* are especially designed for applicants pursuing sporting careers, or pastoral persons working for religious communities. As these categories are only relevant for a few applicants, the requirements and application procedures are not described in detail. Between March 2016 and March

<sup>12</sup> Melanie Gower (2016): The UK's points-based system for immigration. Briefing Paper Number 7662 (18 July 2016) www.parliament.uk/commons-library/intranet.parliament.uk/commons-library, p. 7.

2017, 4,677 Tier 1 Visas were issued, while 93,566 Tier 2 Visas were granted (UKGovernment 2017).

Tier 4 covers applications for *General student* visas for which a notice of admission to a study programme is required. Apart from sufficient English language skills at level B2, applicants must possess sufficient financial means to cover both their course fees and their living expenses. Tier 5 was implemented for *Temporary workers* in a number of different circumstances like charity workers, entertainers, diplomatic staff etc. As with tier 2, applicants need a sponsor during the working period unless they can enter the country under the Youth Mobility Scheme without a job offer.<sup>13</sup> Sponsors can be institutions that offer approved exchange programmes, higher education institutions or government departments and agencies. An application through tier 5 costs £235 (€267)<sup>14</sup> for a single person applying from outside the UK.

**NON-EU EXAMPLES**

While existing migration systems in Europe are mainly employment based (demand driven), the regulations in traditional destination countries like Australia, Canada and New Zealand use skill-oriented systems. Typically, skill-based migration schemes focus on qualifications and human capital, which are crucial for the general economic development of the country. Applicants are

consequently selected according to their qualifications and skills, independent of a job offer. Furthermore, selection processes operate through scoring systems based on several criteria whereby applicants can compensate lower scoring in one criterion with higher scoring in other criterion. As a result, the migration regulations in these countries are effectively points-based, as opposed to the modified point-system in the UK. As skill-based immigration can be an additional instrument to counteract skill shortages, it is worth taking a closer look at these immigration systems.

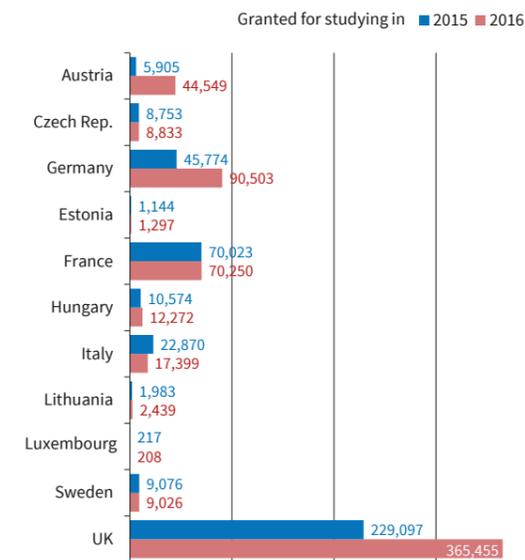
In general, the application processes in Canada, Australia and New Zealand consist of two different stages. Initially, applicants must score a minimum number of points regarding criteria such as their qualification, age, work experience, language skills, likelihood of integration and whether they could work in a shortage occupation. Achieving the minimum score allows them to get registered in the pool of potential immigrants.

In Canada, applicants who receive the minimum points in the first stage (Express Entry) are ranked according to the Comprehensive Ranking System. Several times per year applicants with the highest scores are invited to apply for a permanent residence status until the contingent is reached. The processing fees are \$550 (€341). If a permanent residence permit is approved, another \$490 (€304) are due. According to the Government of Canada, 57,060 applicants from the candidate pool were invited to apply for a permanent residence permit in 2017 (Canadian Government 2017). Finally, 56,945 permanent resident permits were issued after the second stage.

<sup>13</sup> It is important to note that this only applies to a few people from one of the countries whose nationals can gain entry under the Youth Mobility Scheme. Furthermore, it only applies to workers aged 18-30 who wish to live and work in the UK for up to two years. It is also important to note that very few people gain entry under this new scheme, which replaced the Working Holiday visa.  
<sup>14</sup> All foreign currencies converted on 19th of March 2018.

Figure 3

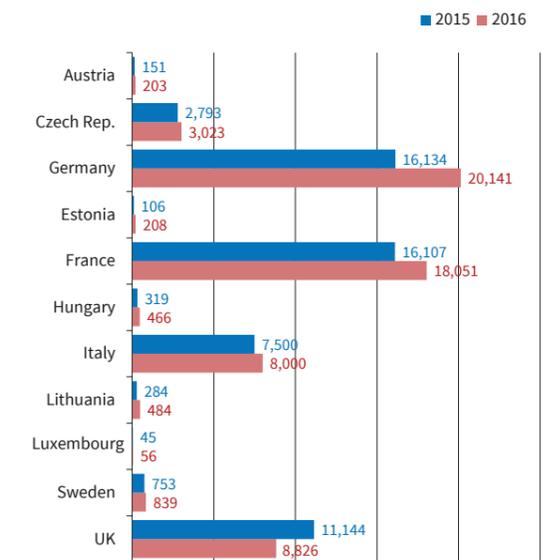
**Student Residence Permits in the EU**



Source: Eurostat (2017b). © ifo Institute

Figure 4

**Former Students Remaining in Member State**



Source: Eurostat (2017b). © ifo Institute

In Australia, applicants in the pool of candidates of the *Skill Stream* of the immigration system can be invited to apply for a visa by the authorities, but they can also be nominated by employers who have access to the profiles of the applicants in the pool. While there are no fees due in the first stage of the process, applying for a visa is charged. For example, the fee for the *Skilled Independent Visa* is AUD 3,670 (€2,302). The invitation rounds take place twice a month considering the annual quota for qualified immigration. During 2016 and 2017 a total of 123,567 visas were issued within the *Skill Stream* of immigration, while the quota allowed for 190,000 new permanent residence statuses (Australian Government 2017).

Similarly, the second stage in New Zealand consists of two invitation rounds per month following the annual target of new permanent residence visas. For the submission of an application in the first stage, the authorities charge a fee of NZD 530 (€311). For the application of a permanent resident status a fee of NZD 3,085 (€1,810) applies. During the financial year 2016/2017 (1 July 2016 – 30 June 2017) 12,106 of 14,445 applications for permanent residence in the *Skilled Migrant scheme* were approved. In the current financial year 3,762 out of 4,723 applications have been already accepted (New Zealand Government 2018).

Although these countries are especially well-known for their points-based systems for skill-based immigration, they also include demand-oriented streams in their immigration regulations. Australia, for

example, also has an employer sponsored channel for permanent immigration within the stream of qualified immigration.

### RETAINING INTERNATIONAL STUDENT GRADUATES

In addition to labour migration policies, regulations aimed at students are important measures for retaining qualified workers, since the international mobility of students can partially be seen as the migration of future workers (ILO, OECD, World Bank Group 2015). It is central to attract international students, as well as retain them once they complete their degrees, since transitioning into the labour force ensures that a country benefits from the skills of the graduates.

### PROGRESS IN THE EU

The EU is already an attractive destination for international students, with over 0.6 million first residence permits issued for education activities in 2016 (Eurostat 2017b). Figure 3 shows how in most EU countries the number of residence permits granted to third-country nationals for studying purposes has increased from 2015 to 2016.

However, while the number of permits for education purposes has risen steadily in recent years, the rate of retention, meaning the percentage of graduates choosing to stay in the EU after their studies, remains relatively low. Although the number of third-country national students remaining in the member state after the completion of their degree increased in most EU countries from 2015 to 2016 (see Figure 4), retention rates remain small. A mere 16%-30% of graduates remained in member states, exchanging their education-related residence status to another reason for their stay (OECD 2016).

Acknowledging the positive implications of international student mobility and the importance of their retention and transition into the labour market, the Students and Researchers Directive (Council Directive 2016/801) was adopted by the European Parliament and Council of the European Union in May 2016 (EU Publications 2016). According to the directive the member states of the EU have two years to transpose the

elements of the directive into national law. The directive aims to make the EU a more attractive study destination, as well as making it easier and more appealing to stay afterwards. With regards to students, it allows them to stay at least nine months after finishing their studies to search for a job or seek self-employment by setting up their own business. In addition, the mobility of students within the EU is increased, as they will only need to notify the member state to which they plan to move, instead of filing a new visa or residence permit application.

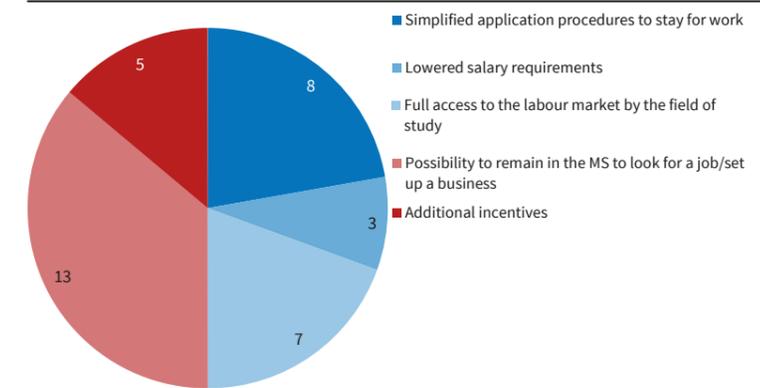
The new directive also further improves conditions while studying by giving students the right to work for a minimum of 15 hours a week. In terms of job-searching opportunities, Figure 5 shows which EU countries already meet the requirement, which countries allow for job search, albeit for a duration of less than nine months, and which countries do not offer any resident permits for job seekers after graduation. Figure 5 displays the status as of 2017. The deadline for transposition of the new directive 2016/801 is May 2018.

In addition to offering a job-search permit, countries may incorporate additional incentives into their national policies to make it more attractive for students to stay in a country after graduating. Common incentives among EU member states include simplified application procedures to stay for work, which could entail the exemption from labour market tests or examinations; lowered salary requirements; full access to the labour market without restrictions by field of work, or limitations in terms of working hours; additional incentives like reducing the number of years one must reside in the country to qualify for a permanent residence permit (European Migration Network 2017). The degree of implementation of each of these incentives is shown in Figure 6. As of 2017, an allowed period to search for a job is offered in 13 EU countries. Eight countries provide a simplified application procedure, seven grant full access to the labour market without restrictions, five offer additional incentives like faster eligibility for permanent residence and three countries have lowered their salary requirements.

### CONCLUSION

Statistics show that labour migration into the EU is relatively low in comparison to other non-EU countries. In combination with increasing demand for skilled workers due to demographic challenges and growing innovation pressures, many EU countries face skill shortages. In countries facing pronounced demand for

Figure 6  
Member States Offering Incentives to Increase Retainment of Third-Country Recent Graduates



Source: European Migration Network (2017).

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skilled workers, labour migration can help to mitigate skill shortages in the domestic workforce. Therefore, attracting highly qualified labour has become a key priority of many member states in the European Union. Both supra-national and national policies are being introduced and implemented to increase the attractiveness of the EU countries as a migration destination. While the majority of policies is employment-based, the implementation of potential oriented schemes is increasing, as seen in Austria with the Job Search Visa. Another potential-oriented policy is the EU-wide directive aimed at increasing the retainment of foreign graduates. Since recent graduates constitute potential future workers, many countries complement the EU policy with national legislation.

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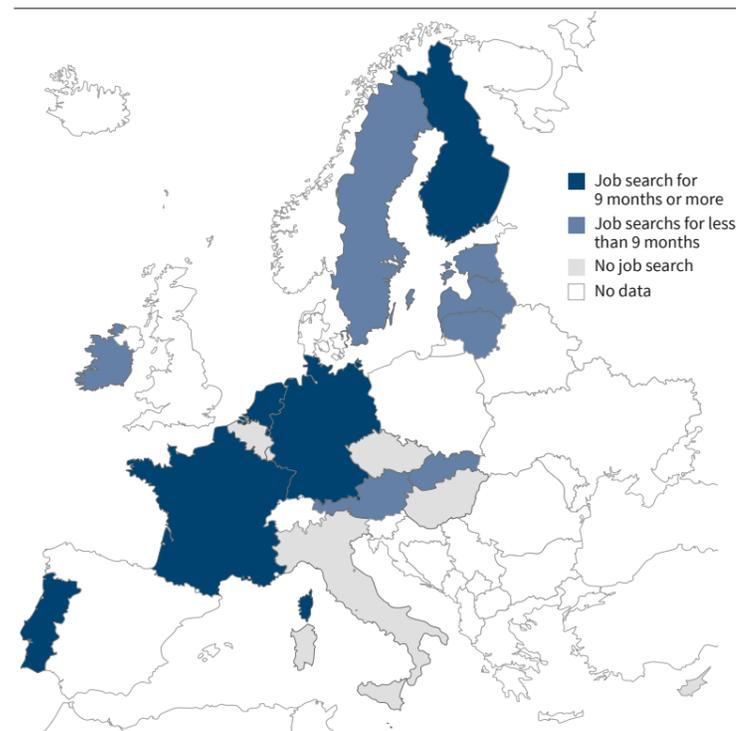
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Figure 5  
EU Countries with Resident Permit for Job Search



Source: European Migration Network (2017).

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## New at DICE Database

### RECENT ENTRIES TO THE DICE DATABASE

In the first quarter of 2018 the DICE Database received a number of new entries, consisting partly of updates and partly of new topics. The list below features some of the topics covered by these new entries:

- EU Blue Card (Country Overview 2016)
- Skill Shortages Reported by Employers
- Former Students Remaining in Member State

The interactive graphics application [Visual Storytelling](#) was also expanded.

## Forthcoming Conferences

### **CESifo Area Conference on Global Economy** **4–5 May 2018, Munich**

The annual meeting of the Global Economy Area of the CESifo research network will enable its members to present their latest research and stimulate interaction and co-operation between them. Papers may be submitted on any topic under the Global Economy field covering trade, international finance, migration, global environmental issues, and other issues. Papers will be discussed in seminar format. Accepted papers will be published as CESifo Working Papers after revision. The CESifo Distinguished Young Affiliate Award at this year's conference will be sponsored by the Review of International Economics. The keynote lectures will be delivered by Thomas Chaney (Sciences Po, Paris) and Jonathan Eaton (The Pennsylvania State University). Scientific organiser: Professor Dr. Peter H. Egger

### **2<sup>nd</sup> Doctoral Workshop on the Economics of Digitalization** **4–5 May 2018, Paris**

At this 2-day international workshop (a joint initiative of CESifo Group Munich, Liege Competition and Innovation Institute, Telecom Paris Tech, and Toulouse School of Economics) doctoral students involved in research in the field of the Economics of Digitalization with both theoretical and empirical focus will gather in Paris. The keynote lecture will be delivered by **Bruno Jullien** (Toulouse School of Economics). Scientific committee: Paul Belleflamme (Aix-Marseille Université), Marc Bourreau (Telecom ParisTech), Alexandre de Corniere (Toulouse School of Economics), Oliver Falck (CESifo Group Munich), Axel Gautier (Université de Liege), Lukasz Grzybowski (Telecom ParisTech). Local organisers: Marc Bourreau & Lukasz Grzybowski

### **Venice Summer Institute 2018: Globalisation and Populism: Past and Present** **4–5 June 2018, Venice**

The UK referendum on EU membership on 23 June 2016 is thought to have been a watershed moment in European integration and globalisation more broadly. It was quickly followed by the election of Donald Trump as President of the United States on an explicitly "America First" agenda with strong anti-globalisation elements. It seems that anti-globalisation forces have become mainstream. This workshop will bring together leading researchers working on the distributional consequences of globalisation and its political repercussions, both from a modern and a historical perspective. The aim is to also bring in important complementary perspectives on this topic drawn from history, economics and political science.

Keynote speakers: David D. Laitin, Stanford University, Dani Rodrik, Harvard University, and Kevin Hjortshoj O'Rourke, University of Oxford.

Scientific organisers: Professor Sascha O. Becker, Dr Thiemo Fetzer

### **Venice Summer Institute 2018: Country Clubs** **4–5 June 2018, Venice**

The UK's decision to leave the EU has triggered a fundamental debate over the future of political and economic integration in Europe. In this debate the concept of a multi-speed Europe is finding increasing support. But a multi-speed Europe suggests that all countries are heading in the same direction, that is, towards more integration. One alternative would be a multi-tier EU, whereby members can choose to belong to a variety of "country clubs". Each tier or "club" could then be characterised by a specific form of policy cooperation or integration like an internal market, a customs union, the Schengen zone with common external border controls and immigration policies, the Eurozone, possibly zones of tax coordination or fiscal integration with a common budget and so on. This workshop will be run in conjunction with EconPol Europe (European Network for Economic and Fiscal Policy Research).

Keynote speaker: Enrico Spolaore, Tufts University.

A second keynote speaker will be announced at a later date.

Scientific organiser: Prof. Dr. Dr. h.c. Clemens Fuest, Professor Daniel Gros

### **Venice Summer Institute 2018: International Tax Reform– Challenges for Trade Integration and Implications for International Tax Coordination** **6–7 June 2018, Venice**

Recent developments have put international tax issues at the top of the global policy agenda. The US government has proposed a switch from worldwide taxation of corporate profits to territorial taxation. Meanwhile the US Congress is considering an even more fundamental reform of the corporate tax system

with the adoption of a destination-based cash flow tax. By including a so-called "border-tax", the latter proposal may have profound implications for international trade patterns. In Europe, the UK government is threatening to open a new round of tax competition to attenuate the negative consequences of Brexit for trade and foreign investment in the UK. Meanwhile, the OECD countries are implementing policy measures from the BEPS programme with the goal of countering tax avoidance by multinational firms.

Keynote speakers: Alan J. Auerbach, University of California, Berkeley, and Michael Keen, International Monetary Fund.

Scientific organisers: Prof. Dr. Johannes Becker, Dr. Niels Johannesen

**Venice Summer Institute 2018:  
Evidence-Based Policy Advice:  
How it is Produced and Used  
6-7 June 2018, Venice**

Public interest in evidence-based policy advice has grown in recent years. However, it is unclear how much of such advice is actually taken up by policymakers, and how successfully recommendations are implemented. This workshop will bring together stakeholders involved in generating or implementing evidence-based policy advice. Participants will discuss the state of affairs in various countries (including the UK, the US, and Germany) and in different policy domains (including innovation, health, and education). An important feature of the workshop is that we will not only involve producers of evidence-based advice from universities, research institutes and think tanks, but also its addressees, i.e., bureaucrats and journalists. In terms of suitable papers, the organisers will be looking for examples of large-scale evaluation studies that have had or are expected to have an impact on the design and implementation of (public) policy.

Keynote speakers: Hilary Hoynes, University of California, Berkeley, and US Commission on Evidence-Policy Making, and Henry Overman, LSE and What Works Center for Local Economic Growth.  
Scientific organisers: Prof. Dr. Florian Englmaier, Prof. Dr. Monika Schnitzer, Prof. Dr. Joachim Winter

**Venice Summer Institute 2018:  
Expectation Formation  
8-9 June 2018, Venice**

Expectations play a key role in any economic model of decision-making under uncertainty. This workshop aims to bring together researchers from different fields of economics to better understand how individuals form expectations, how they update their expectations after receiving new information, how individuals' expectations translate into their spending, saving and investment decisions and the resulting implications for macroeconomics and asset pricing, as

well as the policy recommendations based on such models.

Keynote speakers: Nicola Gennaioli, Bocconi University, and Stefan Nagel, University of Chicago  
Scientific organisers: Dr Michael Weber, Dr Theresa Kuchler

**The Minimum Wage Institution: Empirical,  
Theoretical, and Political Economy Aspects  
8-9 June 2018, Hydra Island**

CESifo and LINER-AUEB invite the submission of papers or extended abstracts (300-500 words) on the question of "The Minimum Wage Institution: Empirical, Theoretical, and Political Economy Aspects" to be held in Hydra Island, Greece, 08-09 June 2018. Given the recent resurgence in the minimum wage institution (especially after the introduction of a nationwide statutory minimum wage in Germany in 2015, and the large, and age-differentiated minimum wage reductions in Greece), this conference aims to examine various aspects of existing minimum wage institutions across countries, as well as the political economy reasons that have prevented the emergence of minimum wage legislation in some countries and the continuing support for the minimum wage institution in others. Please refer to the full call for papers for further details.

Scientific organisers: Dr. George Economides, Professor Thomas Moutos, Professor Dr. Marcel Thum

**18<sup>th</sup> Doctoral Meetings in International Trade and  
International Finance  
15-16 June 2018, Munich**

The doctoral meetings in International Trade and International Finance are organised on an annual basis by the Research in International Economics and Finance (RIEF) network. The meetings are designed to offer the opportunity for a limited number of PhD candidates or young post-doc students to present their papers to active senior researchers in the field. This year's meeting will take place at the ifo Institute in Munich. The organisers are pleased to welcome Nicolas Coeurdacier (Sciences Po and CEPR) and Carsten Eckel (University of Munich) as the keynote speakers. The deadline for submissions is 20 March 2018 - please refer to the call for papers on directions for submitting a paper.  
Scientific organisers: Prof. Dr. Gabriel J. Felbermayr, Professor Jérôme Héricourt

**Junior Economist Workshop on Migration  
Research  
19-20 June 2018, Munich**

The workshop will be organised by the ifo Center of Excellence for Migration and Integration Research (CEMIR). The keynote lecture will be delivered by Alícia Adsera (Princeton University). Please see the call for papers for details on how to submit a paper.  
Scientific organisers: Dr. Yvonne Giesing, Dr. Till Nikolka, Prof. Panu Poutvaara, Ph.D.

**Workshop on Subjective Expectations and  
Probabilities in Economics**

**22-23 June 2018, Munich**

We seek to bring together researchers from the field of Economics and Psychology who collect and analyse subjective expectations and subjective probabilities in applied work. Potential topics include issues related to measurement, expectations formation, use of expectations in econometric models and substantive applications. The workshop builds on a series of previous events held at the Université Laval, the University of Essex, and the Federal Reserve Bank of New York. The keynote will be delivered by Charles Manski (Northwestern University). Please address any questions to: joachim.winter@lrz.uni-muenchen.de.  
Scientific organisers: Adeline Delavande (University of Essex), Basit Zafar (Arizona State University), Wilbert van der Klaauw (FRB New York), and Joachim Winter (University of Munich).

**CESifo Area Conference on Macro, Money & Inter-  
national Finance  
6-7 July 2018, Munich**

The purpose of this conference is to bring together CESifo members who are working in the areas of macroeconomics and money to present and discuss their ongoing research, and to stimulate interaction and co-operation between them. All CESifo research network members are invited to submit their papers, which may deal with any topic in Macro, Money, and International Finance. The keynote lecture will be delivered by Ricardo Reis (London School of Economics).  
Keynote speakers: Nicola Gennaioli, Bocconi University, and Stefan Nagel, University of Chicago  
Scientific organiser: Professor Markus K. Brunnermeier

## New Books on Institutions

**The Political Economy of Structural Reforms  
in Europe**

Edited by Nauro F. Campos, Paul De Grauwe and Yuemei Ji  
Oxford University Press, 2018

**International Financial Centers after  
the Global Financial Crisis and Brexit**

Youssef Cassis and Dariusz Wójcik  
Oxford University Press, 2018

# ifo WORLD ECONOMIC SURVEY

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## World Economic Climate

Ifo World Economic Climate Improves Considerably

## Advanced Economies

Dynamic upswing in Advanced Economies Is Expected to Continue

## Emerging and Developing Economies

Recovery in Emerging Market and Developing Economies Continues to Firm Up

## Special Topic

Digital Currencies – A Viable Alternative to Fiat Money?



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