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**Article**

## Immigration Policies: Competing for Skills

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## IMMIGRATION POLICIES: COMPETING FOR SKILLS

Public discussion in Germany is currently focussing on immigration policies. Previously, foreigners from non-EU countries were largely denied residency in Germany (apart from the granting of asylum and family reunification). With the German “green card” initiative of Chancellor Schröder and the granting of “blue cards” in Bavaria, Hesse and Lower Saxony, IT specialists from non-EU countries can now work in Germany for a limited period of time without a special visa application. The government has also set up an independent commission on immigration that is to present concrete recommendations for future immigration policies.

The discussion in Germany could benefit from the immigration policies of other countries. One first tends to look at the policies of the traditional immigration countries: Australia, Canada, and the United States. In addition, countries like New Zealand, France, the U.K. and the Netherlands also have tried and tested immigration strategies. This article focuses on countries outside of Europe and how they control on-going, economically motivated immigration.<sup>1</sup>

### Basic issues of immigration policies

A nation’s immigration policies depend on whose goals are being served: those of the domestic population, those of the migrants, or those of the inhabitants of the sending country (Borjas 1999, p. 16). Even though various answers can be given to this question, the immigration countries still give highest priority to the domestic population. Beyond this, immigration policy is determined by the goals that a country has set. One possible goal

is to counter the ageing of the population and thus contribute to preserving the old age pension system. Another is to overcome short-term bottlenecks in the labour market or fill longer-term shortages of skilled employees thus avoiding wage increases that would result from labour shortages. Finally, immigration policy may be aimed at increasing the dynamism of the economy and boosting economic growth. These economic goals can (and should) be supplemented by integration objectives. In addition to selecting immigrants on the basis of their integration potential (criteria: high long-term employability, language skills, age group, etc.), the opportunities offered immigrants to facilitate their integration are also important.

After looking at the goals of immigration policies, attention must be directed to the conditions under which immigration should be permitted, to the desired structural features of migration and to the control of the volume and structure of migration. For determining the amount of annual migration, cost-benefit analyses are essential. They should be based on a sufficiently long period and should include distributional effects. A limitation of the number of immigrants can be achieved via quotas or restrictive, qualitative admission criteria. For determining the immigration mix occupation, job experience, qualifications, language skills, age, etc. can be used as criteria. The selection of immigrants can be done on the basis of a priority list, as in the United States. It can also be done with the help of a point system as in Australia, New Zealand and Canada. The auction model that has been proposed as an alternative has not yet been employed in any of the four countries.

### U.S. immigration policies

The United States is a country that has traditionally welcomed immigration. In 1998, with the U.S. population at 274 million, more than 600,000 aliens were awarded Green Cards and thus the right to live and work in the U.S. permanently. Naturalisation is not automatically linked to the Green

<sup>1</sup> Asylum and family reunion policies are not taken into consideration. For the temporary recruitment of highly-skilled workers from abroad, see Ochel (2000).

**Table 1**  
**Persons entering the United States, 1998<sup>a)</sup>**

Category	Number of persons	%
<b>Immigrants:</b>		
Close relatives of U.S. citizens	284,270	43
Other family-sponsored immigrants	191,480	29
Refugees and asylum seekers	54,709	8
Employment based	77,517	12
Diversity immigrants (lottery)	45,499	7
Others	7,002	1
<b>Total</b>	<b>660,477</b>	<b>100</b>
<b>Non-immigrants<sup>b)</sup>:</b>		
Foreign students and dependents	514,215	
Temporary workers	387,085	

<sup>a)</sup> Fiscal year from September to September. – <sup>b)</sup> 1997.

Sources: U.S. Department of Justice, Immigration and Naturalization Service, Statistical Yearbook 1998; Annual Report, Legal Immigration, Fiscal Year 1998.

Card; an application for U.S. citizenship can only be made after five years. Typically, nearly half of Green Card recipients already live in the U.S.

U.S. immigrants have the following features:

- 43% were close relatives of U.S. citizens,
- 29% came for reasons of family reunification (spouses and children of immigrants),
- 8% were refugees and asylum seekers,
- 12% received the Green Card for labour-market reasons (employment-based immigrants), and
- 7% received the Green Card by random selection (lottery) (see Table 1).

The list shows that U.S. immigration policy is dominated by family reunification. Immigration for labour-market reasons, made possible by the Immigration Act of 1990, only plays a minor role. Accounting for only about 77,000 people, it is much less important than the temporary influx of foreign workers, which amounts to about 387,000.

A quota for employment-based immigration is set annually, and has been at 140,000 since 1992. The selection of immigrants is

based on a priority list for which qualifications are the most important criterion. Current labour-market bottlenecks are also taken into consideration. The highest priority is given to those with outstanding abilities, extremely well-qualified professors and scientists, and managers of multinational corporations. The second category consists of university graduates; the third category contains those without university degrees; and so on down. In addition to those in the workforce, investors can also immigrate as long as they invest a million dollars (or \$500,000 in problem regions) and create at least ten new jobs. For each category, quotas are set that include spouses and children. As seen in Table 2, the quotas are far from exhausted. Especially for investors, it seems that immigration conditions are unattractive.

Immigrants are not selected solely on the basis of the priority list, however. In addition, the authorities examine whether the applicants can provide proof of a job offer in the U.S., whether no suitable Americans can be found for the job, and whether wages and working conditions of domestic workers who have comparable jobs will not be affected

**Table 2**  
**U.S. priority list for employment-based immigration**

Priority	Description	Quota	Immigration in fiscal year 1998	Utilisation of quota in %
First	Foreigners with excellent skills, outstanding professors and scientists, managers of multinational companies	40,040	21,408	53
Second	University graduates, foreigners with excellent skills in the areas of science, art and business	40,040	14,384	36
Third	Qualified non-university graduates, skilled workers, needed unskilled workers	40,040 (at most 10,000 unskilled workers)	34,317	86
Fourth	Special category of immigrants: priests, nuns, etc.; foreign office employees of American officials	9,940	6,584	66
Fifth	Investors (including spouses and children)	9,940	824	8
<b>Total</b>		<b>140,000</b>	<b>77,517</b>	<b>55</b>

Sources: U.S. Department of Justice, Immigration and Naturalization Service, Immigration through Employment, Eligibility (<http://www.ins.usdoj.gov/graphics/services/residency/employment>); Immigration and Naturalization Service, Annual Report, Legal Immigration, Fiscal Year 1998.

(labour certification process). This examination is carried out by the State Employment Security Agencies of the Department of Labor. Apart from applicants with the highest priority, for whom exceptions apply, all applicants must meet these requirements (Iredale 1997, pp. 43f.).

American immigration policy has special features in that it accords great importance to family reunification and still comparatively little importance to employment-based immigration. By establishing a priority list, an attempt is made to select workers on the basis of qualifications, but in actual fact more category 3 applicants enter the country than category 1 and 2 applicants combined. A selection on the basis of age, language skill, etc. seems not to occur or only to a limited extent.

The result of these immigration policies is that the skill level of immigrants is low in comparison to other countries with strong immigration. Compared to the migration of the better qualified, the immigration of less qualified workers has a number of undesirable consequences: the productivity of the immigrants is lower, more claims are made on the welfare system, tax revenues are lower, and the integration of the immigrants is more difficult. Moreover, the distribution of adjustment burdens that the domestic workers must bear is also different: the most affected are the less qualified workers, and the highly skilled are hardly touched (Borjas 1999; Martin and Midgley 1999). Because of these effects, Borjas has called for a reorientation in American immigration policy with the goal of increasing the skill level of the immigrants. This could be done by a relative strengthening of economically motivated immigration as well as a more stringent selection of immigrants on the basis of their qualifications.

### **Australia's policy of immigration**

Just like the United States, Australia is known as a classic immigration country. In 1998, 77,000 people immigrated into the country (the country's population amounts to 19 million); 21% of Australia's population were born abroad (OECD SOPEMI 1999). The goal of Australian immigration authorities is that the "family stream" and the "skill stream" each comprise 50% of total immigration, excluding refugees and asylum seekers (Miller 1999, p. 193). Thus Australia assigns much greater

importance to the immigration of qualified workers than does the U.S.

"Skilled Migration" is composed of several categories. The most important ones are:

- The "Employment Nomination Scheme", which enables Australian employers to hire highly-qualified workers from countries abroad on a permanent basis on the condition that the post cannot be filled by an Australian worker;
- the "Business Skill Migration", a programme that makes it possible for successful businessmen from foreign countries to settle in Australia;
- the "Skilled-Australian Sponsored Migration" geared to the immigration of qualified workers who are supported by their relatives in Australia, and
- the "Skilled-Independent Migration", which makes it possible for qualified workers to immigrate into the country although they do not receive any support.

In the following an outline is given of Australia's immigration policy based on the example of the "Skilled Independent Migration". It is the aim of immigration policy to give qualified workers an incentive to come to the country. The number of immigrants is fixed each year by a quota. Not only skills (and long-term employability) serve as a selection criterion; the tight labour market in Australia and vocationally orientated criteria play an even greater role when it comes to selecting the immigrants.

Whether they are issued an immigration visa depends on two prerequisites. Firstly, the applicants must comply with the following minimum requirements:

- They must meet certain standards as regards their professional qualification and must possess work experience (dependent on their profession) of at least twelve to twenty-four months;
- they must not be older than forty-five years of age;
- they must have sufficient knowledge of the English language;
- they must pay a fee of A\$1,015 (US\$583).

Secondly, applicants must attain at least 110 test points. The system awards points for education,

work experience, low age, knowledge of the English language as well as special skills.

The highest number of points is awarded for a university education (maximum number of points 60), for young age (30) and for good English language skills (20). In addition, training in the immigration country, the existence of urgently required qualifications, work experience, especially if it was acquired in Australia, and other qualifications are rewarded (see Table 3). Without a good general education, that is at least a university degree, immigrating in the “skilled independent” category is impossible. It is also important that the applicants possess the qualifications required for individual professions.

Australian immigration policy attaches far greater importance to the immigration of qualified workers than the U.S. By requiring a university degree, a higher level of qualification is demanded. At the same time immigration is meant to offset difficulties arising from the tight labour market situation in certain professions. Despite these high requirements the unemployment rate of immigrants is slightly above the unemployment rate of native Australians. Immigrants from non-English-speaking countries have a particularly poor labour market performance (OECD SOPEMI 1999, p. 96).

### **Immigration policy in New Zealand**

In New Zealand (total population: 3.7 million) just under 30,000 people received an immigration authorisation in 1998. Traditionally the number of emigrants is also rather high. Contrary to past years, in 1998 it even exceeded the number of immigrants. Currently New Zealand is aiming at a net immigration of 10,000 people (Immigration Statistics New Zealand; Winkelmann 1999).

Alongside immigration for humanitarian and family reasons, New Zealand permits the immigration of investors (“Business Investors”) and qualified workers (“General Skills”). Much more than half of the immigration authorisations were accounted for by the “General Skills” category. This fact and also the reversal in the 1991 Immigration Amendment Act, which abandoned residency policy as a short-term labour market tool, show that New Zealand, in contrast to

Australia, is primarily aiming to enhance human capital long-term. This is based on the assumption that employability for life is most likely if the immigrants are as well-qualified as possible. Moreover, the country attaches great importance to the integration of the immigrants, as can be concluded from the great importance assigned to knowledge of English.

Qualified workers must meet the following minimum requirements in order to immigrate into the country:

- They must be no more than 54 years of age.
- The applicants and members of their families (provided that they are over 16 years old) must receive at least five points in each category of the IELTS Language Test or come from an English-speaking country. Members of the family can also acquire the required knowledge of English in a language course after arriving in the country. For this course they must pay between NZ\$1,600 and NZ\$6,500 (US\$704 to US\$2,860) in advance.
- Furthermore, they must pay an application fee of NZ\$700 or NZ\$720 per family (US\$308 or US\$317).

In addition, applicants must receive at least 25 test points. A high number of points are awarded to those who have skills contained in the list of recognized qualifications, who have working experience, and who are young. New Zealand places a high value on education and working experience. Language and the skills of spouses are also important. This is an indication of the high value placed on the integration potential of the immigrant family (see Table 3).

Since 1991 New Zealand immigration policy has been based on a high level of formal qualifications and on an enhancement of human capital. The successes of this policy are reflected in the fact that the already high qualification level of the New Zealand population has been raised by immigration. On the other hand, the labour market performance of immigrants has been disappointing. Especially immigrants from Asia and Oceania have a higher level of unemployment and lower incomes than native-born New Zealanders. This may be attributable to discrimination or to insufficient language skills despite the language tests (Winkelmann 1999 and 2000).

**Table 3**  
**Point systems in Australia, New Zealand and Canada**

Australia Skilled Independent Category		New Zealand General Skills Category		Canada Independent Applications	
<b>Education</b>					
For occupations that require a university degree and specific additional training	60	Master's or higher degree Advanced qualification Base qualification as in the list of recognised qualifications	12	Master's degree, Ph.D. Bachelor's degree College, etc. University admissions level, further training Secondary school diploma	16
For generalist occupations that require a university degree	50		11		15
For occupations that require a secondary school diploma	40		10		13
					10
					5
<b>Host country education</b>					
For an Australian PhD	10	Additional	2		
For a diploma, trade qualifications or university degree	5				
<b>Offer of employment/Occupational targeting</b>					
For applicants with a job offer in Australia in an occupation on the demand list	10	For those who have a job (or job offer) in New Zealand	5	For those who have a job (or job offer) in Canada	10
For applicants whose skills are in short supply in Australia	5				
<b>Work experience/Occupation</b>					
For applicants in occupations which attract 60 points under the skill factor in three of the past four years	10	One point for each completed two years of experience	1-10	For occupations included in the general occupations list For job experience and degree of occupational demands (education/training factor)	1-10
For applicants in occupations on the skilled occupation list for three of the past four years	5				2-8
<b>Work experience in immigration country</b>					
Six months within the last four years in a recognised occupation	5	One point per year	1-2		
<b>Age</b>					
18-29 years	30	18-24 years	8	17 years of age	2
30-34 years	25	25-29 years	10	18 years of age	4
35-39 years	20	30-34 years	8	19 years of age	6
40-44 years	15	35-39 years	6	20 years of age	8
		40-44 years	4	21-44 years	10
		45-49 years	2	45 years of age	8
				46 years of age	6
				47 years of age	4
				48 years of age	2
<b>Language skills</b>					
A score of at least six on each part of the IELTS test	20			For skills in French and English	2-15
A score of at least five on each part of the IELTS test	16				
<b>Other considerations</b>					
If spouse meets the minimum requirements for skills, job experience, age, and English ability	5	Advanced qualification of spouse	2	Demographic factor	8
Capital import of A\$100,000 (US\$57,480)	5	Base qualification of spouse	1	Relatives in Canada	5
Good knowledge of a second language (relevant to Australia)	5	Capital import of NZ\$100,000 (US\$44,000)	1	Education/training in conformance with the general occupations list	1-18
Minimum points needed for immigration	110	Capital import of NZ\$200,000 (US\$88,000)	2	Suitability interview	1-10
		Sponsorship by family member in New Zealand	3		
		Minimum points needed for immigration	25	Minimum points needed for immigration	70

**Immigration policies in Canada**

In 1997, 216,000 people immigrated to Canada (total population: 30 million). Of these, 11% were refugees and asylum seekers, 28% family members, 49% skilled workers (including family members) and 9% investors and business people. Three years after permanent residency has been granted, application for Canadian citizenship is possible.

Canada's immigration policies have always been subject to major changes. The beginning of the 1990s marked a reversal from demographic to economic goals. A list of occupations with urgent needs was created. Applicants with these occupational qualifications received priority entering the country. In 1998, the orientation of immigration policy was again changed. In line with the "Strategy for Immigration and Citizenship: Into

the 21<sup>st</sup> Century”, immigration policy will no longer be based on specific but on broader occupational profiles. The focus is now on long-term instead of short-term goals. With the help of immigration, the skills, flexibility and variety in the Canadian workforce is to be raised in order to conform to the demands of the New Economy (Green and Green 1999, pp. 434f.).

The number of immigrants in Canada is not determined by quotas but by rules of entry (OECD SOPEMI 1999, p. 123). The following presents the rules for the category of skilled workers (independent applicants). Immigrants must, firstly, meet a number of minimum requirements:

- They must have an occupation listed in the General List of Occupations.
- They must have a year of job experience.
- As an alternative to the first two conditions, they must have a job offer from a Canadian employer certified by Human Resources Canada.
- They must have funds amounting to C\$10,000 (US\$6,757) and an additional C\$2,000 for each dependent.

Secondly, applicants must achieve 70 test points. The point system emphasises broadly based occupational profiles for areas of labour shortage. Depending on the occupation, applicants can score between one and ten points. In addition, job experience as well as education and training in the priority occupations are awarded a high number of points. Moreover, points are given for formal education, a guaranteed job in Canada, youth, and for knowledge of English and French. Canadian visa officers also interview the candidates to determine suitability.

Owing to its selective immigration policy, Canada has succeeded in attracting more highly qualified immigrants than the U.S. This result stems from the point system which gives preference to applicants from industrial countries over developing countries (Borjas 1999, pp. 58f.). As studies by De Voretz and Laryea (1999) show, immigrants from industrial countries have an easier time integrating into the Canadian labour market than other immigrants. They have the advantage of occupational and training experience in areas of technology that correspond to Canadian requirements. Long-term employability is greatest for young, highly quali-

fied immigrants with a good command of English and French and with practical experience in modern companies with state-of-the-art technologies.

### **Experience in regulating immigration**

The immigration policies of the above countries all assign a growing importance to economic and labour-market motives for immigration above other types of immigration. Although short-term labour needs are still important for economically motivated immigration, long-term goals such as enhancing economic dynamism, achieving permanent employability of immigrants, and their ability to integrate are becoming increasingly important.

Less transparent are the criteria used to decide the annual numbers of immigrants. In selecting immigrants the point system has advantages over the priority lists. It is better able to take into account the various selection criteria for immigrants. Experience with a point system confirms that the most important prerequisites for achieving long-term immigration goals are an immigrant's good formal education, good language skills, being a young adult, and skills in modern technologies. These demands imply a bias towards countries of origin at a similar state of development.

In Australia and New Zealand qualifications and job experiences that have been gathered in the host country are rewarded. There are good reasons for this since, for example, university graduates have an excellent command of English and have already made adjustments to the culture that will be important for subsequent integration. This of course presupposes that Australian and New Zealand universities have liberal admissions policies for foreign students.

The qualifications and language skills of spouses are also important for integration into society. Where language skills are weak, financial incentives should be given by the host country for language acquisition.

To ensure long-term employability, other criteria besides those mentioned above can be included in the selection of immigrants. Proposals for the reform of Swiss immigration policies included giving preference to immigrants who have worked in a third country, acquired certificates in further

training (language courses, on-the-job skill acquisition, in-house courses, etc.), assumed team leadership positions, and who have worked in a multinational setting (Sheldon, p. 11).

Despite the differentiation of the point systems, they can only take into account the factors that have been identified as determinants of successful and permanent integration. These are no more than a third of the relevant factors, according to Borjas (1999, p. 193). Moreover, a perfect point system can only choose from among those who actually apply for immigration. This means that to attract immigrants, a country itself must be attractive.

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