

Giesing, Yvonne; Laurentsyeve, Nadzeya

Article

The EU Blue Card – Time to Reform?

ifo DICE Report

Provided in Cooperation with:

Ifo Institute – Leibniz Institute for Economic Research at the University of Munich

Suggested Citation: Giesing, Yvonne; Laurentsyeve, Nadzeya (2017) : The EU Blue Card – Time to Reform?, ifo DICE Report, ISSN 2511-7823, ifo Institut - Leibniz-Institut für Wirtschaftsforschung an der Universität München, München, Vol. 15, Iss. 2, pp. 38-43

This Version is available at:

<https://hdl.handle.net/10419/175010>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Yvonne Giesing and Nadzeya Laurentsyeva The EU Blue Card – Time to Reform?¹



Yvonne Giesing
ifo Institute.



Nadzeya Laurentsyeva
CEPS.

EUROPE'S NEED FOR QUALIFIED WORKERS

The demographic change and the need for expertise in certain sectors as well as high emigration rates in some regions have led to skill shortages and unfilled vacancies in Europe. While governments have increased efforts to improve the education system and to raise the labour market participation of women and other groups with traditionally lower economic activity, the demand for qualified labour cannot be fully met by the domestic workforce. The EU thus needs to attract a significant number of foreign qualified workers in the coming years to ensure the competitiveness and innovativeness of domestic firms.

At the same time, EU member states differ in their industry structures, economic conditions, as well as in the design of the welfare systems. Hence, there are differences in both the attractiveness of the EU countries for potential migrants and the demand for immigrants from the local firms. Arguably, national migration policies can efficiently address country-specific issues. What is, then, the added value of a supranational scheme such as the Blue Card?

The common answer is: making the EU, as a whole, more attractive for global talent flows.² Most high-skilled migrants consider several destination options when they make the decision to emigrate. The EU member states “compete” with the classic immigration countries such as Australia, Canada, the United States, the UK, as well as with emerging China. A transparent, flexible, efficient and salient immigration system would be one factor that can make the EU more alluring to high-skilled immigrants. Moreover, if the EU member states coordinate their efforts to promote the single scheme for high-skilled workers, it should be on aggregate less costly compared to the case when each country pursues its own policy.

Another advantage of the single EU scheme is potentially higher mobility of the high-skilled immigrants within the

EU. On the one hand, access to a larger labour market serves as an additional advantage of the EU scheme from an immigrant’s point of view. On the other hand, there are also potential gains for the EU countries. A large literature has emphasised the importance of high-skilled mobility as one of the drivers for knowledge flows and thus innovativeness (e.g. Braunerhjelm et al., 2015; Kaiser, 2015). Moreover, many EU firms operate in several countries and require their employees to work from multiple locations. Yet, the mobility of non-EU high-skilled immigrants is limited when their work permits are tied to a particular employer and when they have to comply with different national regulations.

INTRODUCTION OF THE EU BLUE CARD

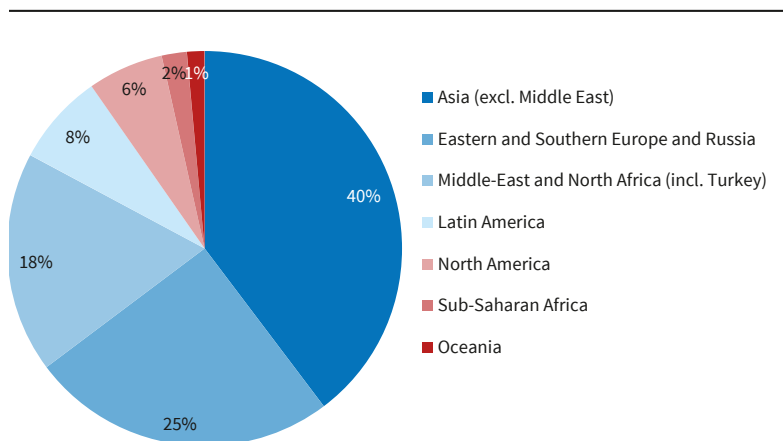
The Scheme

The EU Blue Card allows high-skilled non-EU citizens to work and live in an EU member state for up to three years with the option of renewal. EU member states integrated the EU directive into their national legislation up to June 2011, and since 2012 most member states have started to issue Blue Cards.³

To be eligible for the Blue Card, applicants need to have a binding job offer with a salary of approximately 1.5 times the countries’ average gross annual salary. In addition, applicants need a relevant higher professional qualification, valid travel documents and health insurance. Blue Card holders have the right to bring their close family with them and to move freely within the EU. After 18 months of working in one EU member state, Blue Card holders can move for work to another EU member state and request the Blue Card in this new country. After five years of residence in one or several member states, Blue Card holders can apply for a long-term EU residency.

³ Denmark, Ireland and the UK do not participate in the EU Blue Card scheme.

Figure 1
Blue Card Holders by Nationality, 2015



Source: Eurostat.

© ifo Institute

¹ The authors would like to thank Larissa Nagel and Jonathan Öztunc for their data research assistance.

² Council directive 2009/50/EC <http://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex%3A32009L0050>.

While the EU Commission has set the general rules and eligibility requirements for the Blue Card, the member states had some leeway in the national implementation. Consequently, the salary threshold of 1.5 times the national average has been set higher in some countries. Furthermore, certain countries have coupled it with a labour market test that checks if there would be an equally qualified EU citizen to fill the position. The definition of what it means to be high-skilled also varies across EU member states, and certain countries have introduced quotas or upper limits on immigrants.

Nationalities of Blue Card Holders

The number of granted Blue Cards has been steadily increasing from a total of 3,664 in 2012 to 17,106 in 2015. The top three countries of origin of Blue Card holders in 2015 were India, China and Russia. Asia is the region with the largest number of Blue Card holders. Eastern and Southern Europe and Russia come second. Countries in Latin and North America, Sub-Saharan Africa and Oceania account for less than a fifth of applicants.

The origin of Blue Card Holders varies strongly in the different EU member states. Table 1 shows an overview of the three largest origin countries of EU Blue Card holders in every EU member state. Of the Central and Eastern European EU members (Bulgaria, Czech Republic, the Baltics, Austria, Poland, Romania), the highest numbers of Blue Cards are given to Ukrainian and Russian nationals. Western Europe (Germany, France, Italy, Luxembourg) attracts many Blue Card holders from India and the US.

Low Number of Granted Blue Cards

The total amount of Blue Cards, however, has remained small. As Table 2 shows, most countries issued less than 100 Blue Cards in 2015, and Belgium, Estonia, Greece, Croatia, Cyprus, Hungary, Malta, Netherlands, Portugal, Slovenia, Slovakia, Finland and Sweden granted fewer than 100 Blue Cards over the total four years (2012-2015). Germany stands out for having granted more than 40,000 Blue Cards. There are several reasons for this: the lower effective wage threshold, the booming economy and the large amount of conversion from previous student visas. This generally very low number of granted Blue Cards especially compared with national immigration schemes points to the fact that the Blue Card scheme has failed to facilitate high-skilled immigration into the EU.

Competing National Schemes

One of the reasons why member states have granted a low number of Blue Cards is that they have national policies in place to attract high-skilled migrants. These policies are very different in the various European countries. Some member states provide working permits for people with specific skills or working in specific sectors, for instance in IT, healthcare or engineering. Most member states facilitate the admission for high-skilled workers through fast-track visa procedures, exemptions from labour market tests, information campaigns or other incentives. Other member states (Bulgaria, Cyprus, Estonia, Greece and Romania) have restricted

Table 1

Granted EU Blue Cards per Participating EU Country for the Countries of Origin with the Three Highest Absolute Numbers

Country	Highest number of Blue Cards	Second highest number of Blue Cards	Third highest number of Blue Cards
Belgium	Turkey 4	Morocco, United States, India 3	Serbia, Russia, Egypt, Mexico, Iran, Pakistan, 1
Bulgaria	Ukraine 36	Russia 8	China 5
Czech Republic	Russia 63	Ukraine 57	United States 9
Germany	India 3030	China 1182	Russia 1167
Estonia	Ukraine 12	Russia 5	Turkey, Moldova 1
France	United States 117	India 62	Canada 52
Croatia	South Korea 8	Serbia 5	Macedonia, Bosnia and Herzegovina, Russia 4
Italy	United States 31	Russia 30	India 22
Latvia	Ukraine 49	Russia 16	China 7
Lithuania	Ukraine 54	Russia 30	Belarus 22
Luxembourg	India 52	United States, China 51	Russia 46
Hungary	India, Pakistan 4	United States 3	Serbia, Algeria, Brazil, South Korea 1
Netherlands	Trinidad and Tobago 8	Russia, India 2	Belarus, Ukraine, South Africa, Canada, Mexico, Taiwan, Oman, Australia, 1
Austria	Russia 41	Brazil 19	India 17
Poland	Ukraine 272	Russia 33	India 17
Romania	Ukraine 30	India 16	United States, Russia 14
Slovenia	Ukraine 4	Serbia 3	Belarus 2
Finland	United States 3	China, India, 2	Russia, South Africa, Mexico, Chile, Japan, South Korea, Singapore, Australia 1

Source: Eurostat.

Table 2

Granted EU Blue Cards per Participating EU Country

Country/Year	2012	2013	2014	2015
Belgium	0	5	19	19
Bulgaria	15	14	21	61
Czech Republic	62	72	104	181
Germany	2,584	11,580	12,108	14,620
Estonia	16	12	15	19
Greece	0	0	0	0
Spain	461	313	39	4
France	126	371	602	659
Croatia	n.a.	10	7	32
Italy	6	87	165	237
Cyprus	0	0	0	0
Latvia	17	10	32	87
Lithuania	n.a.	26	92	128
Luxembourg	183	236	262	336
Hungary	1	4	5	15
Malta	0	4	2	0
Netherlands	1	3	8	20
Austria	124	108	128	140
Poland	2	16	46	369
Portugal	2	4	3	n.a.
Romania	46	71	190	140
Slovenia	9	3	8	15
Slovakia	7	8	6	7
Finland	2	5	3	15
Sweden	0	2	0	2
Total	3,664	12,964	13,865	17,106

Source: Eurostat.

the number of high-skilled migrants. Such variation in the national policies reflects differences in the demand for immigrants within the EU.

Table 3 shows that the number of residence permits issued for work reasons in all EU countries is much larger than the number of issued Blue Cards. This suggests that while member states have a need for migrant workers, they are more likely to use national schemes in comparison with the Blue Card. In 2015 in Belgium, 50,085 national permits were issued compared to 19 Blue Cards; in France, 226,630 compared to 659 Blue Cards; in Sweden, 110,623 compared to two Blue Cards. Thus, in all countries, the amount of national work permits issued is much larger than the amount of Blue Cards granted. There are a number of possible reasons why the Blue Card Scheme is used so rarely and they are outlined in the following sections.

The Salary Threshold

While the EU Commission has set the general rule that the salary threshold should be around 1.5 times the average gross annual salary, member states were free to determine the exact amount. Romania, for instance made use of the possibility to set a higher threshold and put it at four times the national average gross wage.

Furthermore, member states have to publish the relevant salary thresholds to be transparent. A review of the European Commission, however, has determined that the salary threshold information is not clearly communicated and cannot be easily found on national websites or the EU Immigration Portal. It is thus difficult for potential Blue Card applicants and for firms to assess their chances of success.

Germany, Estonia, Hungary and Luxemburg have effectively adopted the possibility to have a lower threshold (1.2 times the average gross annual salary) in sectors with skill shortages. In 2017, Germany, for instance, has a general threshold of €50.800. However, for work in shortage occupations, defined as scientists, mathematics, engineers, doctors and IT- skilled workers, a salary of €39,624 is sufficient.

The Job Offer Prerequisite

To be eligible for the Blue Card, applicants need to have a binding job offer. In most member states it has to be of at least a one-year duration. This ensures that the immigration is tightly matched with labour market needs and that no immigration into the welfare system is possible. This good intention, however, creates a significant barrier for potential high-skilled workers. First, many companies require a valid work permit at the time of the application or give priority to applicants who already possess a valid work permit. Second, it is difficult to apply for work when you are not in the country and can attend an on-site interview on short notice. This strict requirement of a binding job offer might thus be one of the reasons why the Blue Card is not granted in high numbers and why national schemes might be preferred in many cases.⁴

Labour Market Test

Twelve member states have included a labour market test in their procedures. This requires a check by the foreign or employment office to examine if the position could also be filled by a national or an EU citizen. While this test aims at preventing adverse labour market consequences for locals, it introduces additional administrative burdens and might cause a time delay.

THE NEED FOR REFORM

The high salary threshold, the job offer prerequisite and the labour market test have created additional hurdles for high-skilled immigrants to work in the European Union. In addition, from the perspective of firms, national schemes look more advantageous. As a consequence, the number of granted Blue Cards has been significantly lower compared to national work permits to high-skilled individuals. Therefore, the EU Commission has brought forward a proposal to reform the EU

⁴ Many national schemes include a job search visa for high-skilled applicants and do not require a binding job offer.

Blue Card and simplify it in order to increase its relevance.

Proposed Changes

In June 2016, the European Commission suggested a number of proposals to revise the Blue Card Directive.⁵ We group these proposals by the goals they aim to achieve.

1. Attracting More High-skilled Non-EU Citizens Through the Blue Card Scheme

The current proposals aim at increasing the number of high-skilled immigrants by relaxing the salary threshold, stating clearer education and qualifications criteria, and improving the immigrants' rights.

The new *salary threshold* is set at the level equivalent to or at the highest 1.4 times the average national salary. Hence, there is scope for national adjustment of the salary threshold within the indicated range. In addition, a lower threshold of at least 80% of the average national salary can be applied toward workers in short-staffed occupations or recent foreign graduates. Lowering the threshold should increase the number of foreigners qualified for the Blue Card, not by increasing the demand from immigrants but by making hiring of foreigners more attractive for the EU firms.

Further, according to the proposal, to qualify for a Blue Card, a non-EU applicant has to possess either a tertiary degree (at least bachelor or equivalent) or to have relevant professional skills with at least three years of experience. It becomes obligatory to recognise professional experience as an alternative to education qualifications.

The proposal also extends rights of the Blue Card holders. First, it grants the right to self-employed activity in parallel with the Blue Card job. Second, it foresees a shorter period to obtain the EU long-term residence: three years (instead of five) if residing in the same country. Third, family reunification is facilitated: family members can receive their residence permits simulta-

Table 3

First Residence Permits Issued for Work Reasons per EU Country

Country\Year	2012	2013	2014	2015
Belgium	47,278	42,463	43,823	50,085
Bulgaria	6,418	6,436	8,795	9,595
Czech Republic	42,123	45,544	35,458	68,804
Denmark	24,812	31,311	35,886	46,153
Germany	184,070	199,925	237,627	194,813
Estonia	2,530	2,496	3,222	3,984
Ireland	26,818	32,780	36,728	38,433
Greece	16,252	18,299	22,451	37,464
Spain	223,318	196,244	189,481	192,931
France	199,480	214,346	220,599	226,630
Croatia	n.a.	3,320	3,334	3,433
Italy	246,760	243,954	204,335	178,884
Cyprus	11,715	11,455	13,841	15,569
Latvia	5,620	7,615	9,857	6,357
Lithuania	3,696	4,601	7,252	5,178
Luxembourg	3,804	4,169	4,289	4,918
Hungary	13,282	16,833	21,188	20,751
Malta	4,526	6,795	9,895	9,984
Netherlands	51,162	64,739	69,569	72,355
Austria	37,852	34,308	40,062	51,282
Poland	146,619	273,886	355,521	541,583
Portugal	32,590	26,593	29,764	29,021
Romania	10,125	11,160	10,294	11,289
Slovenia	9,092	8,271	9,891	11,417
Slovakia	4,210	4,416	5,510	9,279
Finland	20,263	21,122	21,552	21,797
Sweden	90,248	99,122	107,947	110,623
United Kingdom	631,940	724,248	567,806	633,017

Source: Eurostat.

neously with the issue of the Blue Card. In addition, member states cannot restrict labour market access for family members, although a labour market test can be conducted.

The changes regarding the salary threshold and the qualifications criteria are supposed to increase the pool of applicants qualifying for the Blue Card scheme, while clearer rules and improved rights should increase the attractiveness of the EU as a destination.

2. Reducing Costs for EU Employers

Apart from a lower wage threshold, several other proposals aim at reducing costs of hiring a foreign employee. For instance, labour market tests are now allowed only in the case of serious disturbances, such as high levels of unemployment. Maximum processing time is reduced from 90 to 60 days. The revision also assumes the reduction of the minimum contract duration from 12 to six months, thus making it more feasible for firms to have a trial contract first.

⁵ http://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/proposal-implementation-package/docs/20160607/directive_conditions_entry_residence_third-country_nationals_highly_skilled_employment_en.pdf.

3. Enhancing Mobility

The revision proposal addresses both short-term mobility related to business activities and mobility within EU member states. The Blue Card holders shall be allowed to carry out a business activity in another member state during a maximum of 90 days within a 180-day period without fulfilling additional bureaucratic requirements. This modification should be useful for firms operating in several EU member states and requiring high intra-firm mobility.

Mobility within the EU is facilitated by shortening mandatory residence in the previous member state from 18 to 12 months. The proposal also simplifies procedures and conditions to fulfil when applying for the Blue Card in another member state.

A particular amendment extends the Blue Card to high-skilled beneficiaries of international protection (not asylum seekers or beneficiaries of temporary protection) residing in member states and having the right to work. The goal is to improve labour market opportunities for high-skilled recognised refugees. Under the existing regulation, recognized refugees are restricted to residing in the country that provides protection. Hence, they face a limited choice of vacancies and have a lower chance of finding a position matching their specific skills.

4. Competing With the National Schemes

Finally, the proposal suggests making the Blue Card scheme mandatory for the member states. This implies abandoning the national schemes that target the same group of high-skilled individuals.

WILL THE REVISED SCHEME ACHIEVE ITS GOALS?

The main goal of the revised Blue Card is to attract more high-skilled individuals to work in the EU. This goal could be achieved by increasing the supply of high-skilled individuals willing to work in the EU rather than everywhere else, adjusting to the demand of the EU firms, or eliminating matching frictions between the local firms and foreign job applicants. Because the new Blue Card is supposed to replace the national schemes, an important question to ask is whether the single EU policy can address the above issues better than the national regulations.

Will the EU Become More Attractive for High-Skilled Individuals?

Compared to the original directive, the new scheme expands the employment options of the Blue Card holders by allowing self-employment and enhancing mobility. Furthermore, the scheme eases immigrants' access to the long-term EU residence and facilitates family reunification. Harmonising these conditions across all EU member states makes it easier

for foreign applicants to navigate the regulatory framework, to consider a larger labour market and to focus on economic rather than legal or bureaucratic aspects when choosing their destination within the EU. In addition, the proposals reduce dependence of immigrants on their first employer in the host country. Together, these changes could increase the supply of potential non-EU immigrants with good job opportunities.

New provisions regarding the young graduates might also stimulate new inflows. Reducing the wage threshold for this immigrant group (who often lack professional experience to obtain a high wage) is likely to increase their employment chances in the EU. Together with the amendments to the Student Directive,⁶ this proposal will help to retain promising young professionals and to attract more foreign students to study in the EU rather than in the US or in the UK.⁷ Consequently, the supply of highly educated people will increase.⁸ While this policy can also be conducted at the national level, coordination within the EU might be more efficient, in particular, to facilitate job search in EU member states different from the country of study.

Will the New Scheme Become More Attractive for Firms?

The public discussion about the competitiveness of the Blue Card revolves primarily around the decision-making of migrants. However, the local firms play a similarly important role: They search for candidates, issue a job offer and bear the bureaucracy-related costs. While the EU firms report shortages of skilled workforce, the additional costs of hiring a foreign employee are often so high that firms prefer to search longer for an EU-national or to outsource tasks abroad. In this way, the proposals to abandon the labour market test and to reduce the processing time can make it more attractive for firms to hire immigrants. Firms that operate internationally will also benefit through better mobility possibilities for non-EU employees.

The revised directive also harmonises and relaxes the existing wage thresholds across the EU member states. Under the old Blue Card scheme, wage thresholds indeed represented binding constraints for many firms. Yet, in most countries, firms could (and did) alternatively hire immigrants under the national rules, which better corresponded to the local demand. Therefore, even though the proposal lowers the threshold, it would be hard to attract additional flows of high-skilled migrants relative to the benchmark case, when each EU member state applied its own (presumably optimal) rules. Abandoning the national schemes without

⁶ Which allows graduates to look for employment in the host member state for at least nine months.

⁷ Kato and Sparber (2014), for instance, illustrate that the availability of high-skilled visas affects the attractiveness of the US universities for foreign students.

⁸ In case of the US, for example, 45% of new H-1B (professional) visas in 2014 went to applicants already present in the US (most of them recent students) (Kerr et al., 2016).

enough flexibility under the Blue Card could lead to suboptimal outcomes.⁹

Will the New Scheme Reduce Matching Frictions?

Matching frictions exacerbate migration costs for non-EU job seekers and hiring costs for EU firms. The toughest constraints are the requirement of the job offer and a minimum duration of a contract, which lead to high costs for both a migrant and a firm in case of a poor quality match. The new proposal slightly reduces these costs by shortening the required minimum contract duration to six months. However, the need of a job offer will remain an important constraint. In case the national schemes are abandoned, the new scheme would put some countries (those that allow for temporary job-search visas) at a disadvantage.

REFERENCES

Braunerhjelm, Pontus, Ding Ding, and Per Thulin (2015), "Does Labour Mobility Foster Innovation? Evidence from Sweden", *Working Paper Series in Economics and Institutions of Innovation* 403, Royal Institute of Technology, CE-SIS - Centre of Excellence for Science and Innovation Studies.

Eurostat, EU Blue Cards by type of decision, occupation and citizenship [migr_resbc1], extracted on 16 March 2017.

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the implementation of Directive 2009/50/EC on the conditions of entry and residence of third-country nationals for the purpose of highly qualified employment.

Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the conditions of entry and residence of third-country nationals for the purposes of highly skilled employment (7 June 2016).

Kaiser, Ulrich, H.C. Kongsted and T. Ronde (2015). "Does the Mobility of R & D Labor Increase Innovation?" *Journal of Economic Behavior & Organization* 110 (336), 91105.

⁹ In the US, for instance, the wage threshold for H-1B visa applies locally: firms are required to pay the visa holder the higher of the prevailing wage in the firm for the position, or the prevailing wage for the occupation in the area of employment.