

Capturing Talent: A European Approach

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Europe in the Global Competition for Talent

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Outline

1. Migration and growth. Why we need skilled migration
2. Are we getting the “right” migration for Europe?
How rapidly are we assimilating migrants?
3. Policy options for the EU:
 - Adopting a EU-wide Point-based System?
 - Decentralizing Wage Bargaining?

1. Skilled migration and growth

- For migration to increase significantly incomes per capita, it should affect not only GDP *levels*, but also *rates* of growth of GDP.
- GDP growth rates affected only insofar as the increase in the labor force involves an increase in share of skilled workers in the population
- Human capital is the source of the externalities endogenously spurring growth

Human capital externalities

- Skilled migration like capital mobility.
- Spillovers of human capital. Migrants can:
 - transfer their human capital to natives
 - affect incentives of natives to accumulate human capital
 - acquire themselves more human capital via interactions with natives (e.g., on-the-job training)
- These externalities depend on the degree of *assimilation/dessimilation* of migrants

Outline

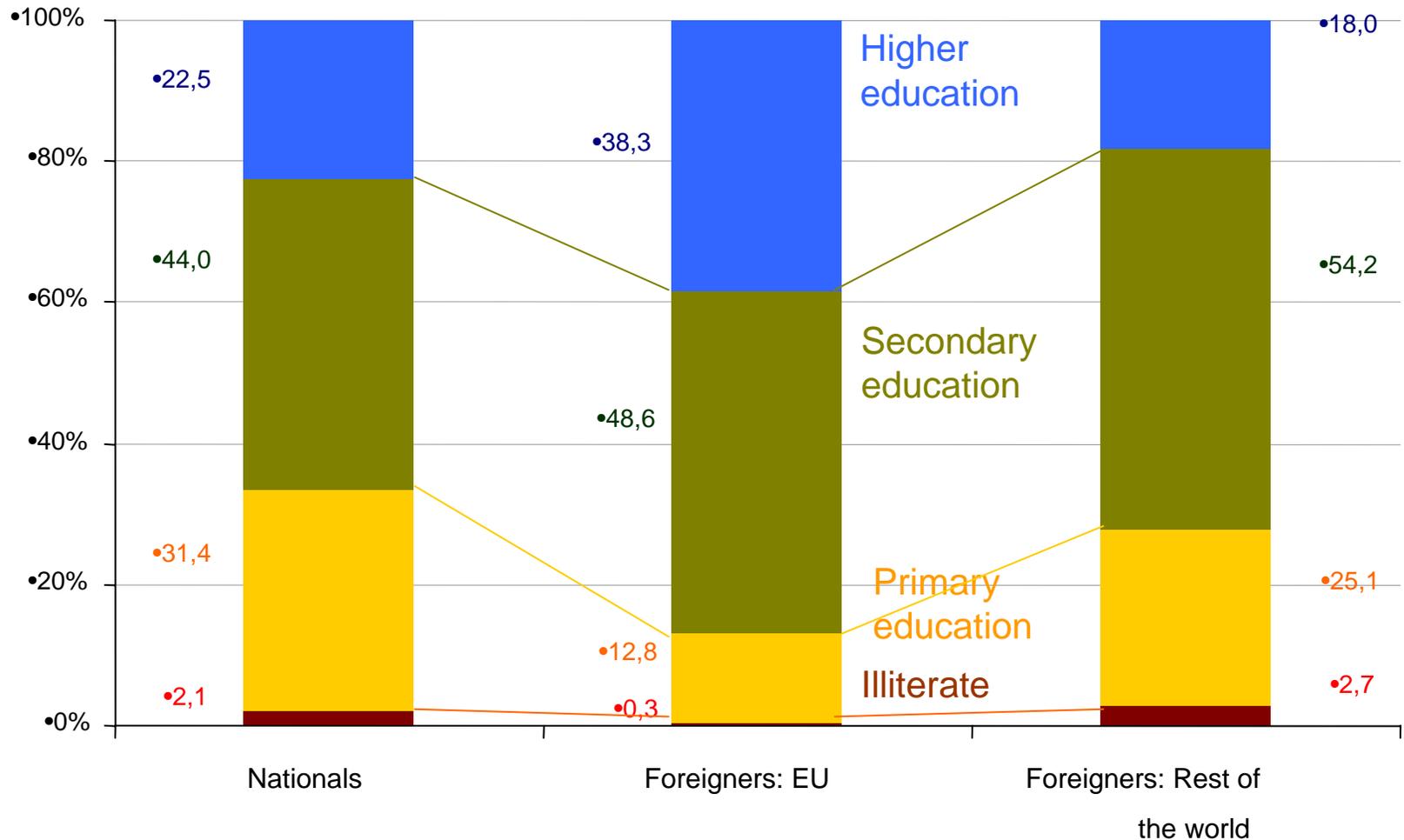
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2. Are we Getting the Right Migration?

Data on skills. Two main sources

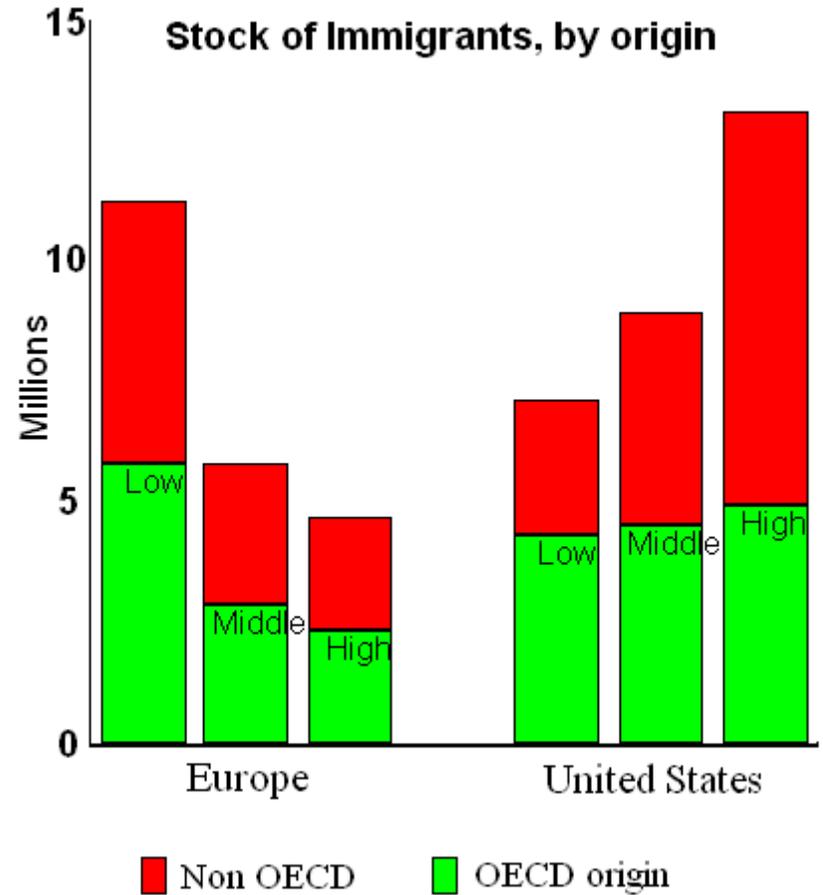
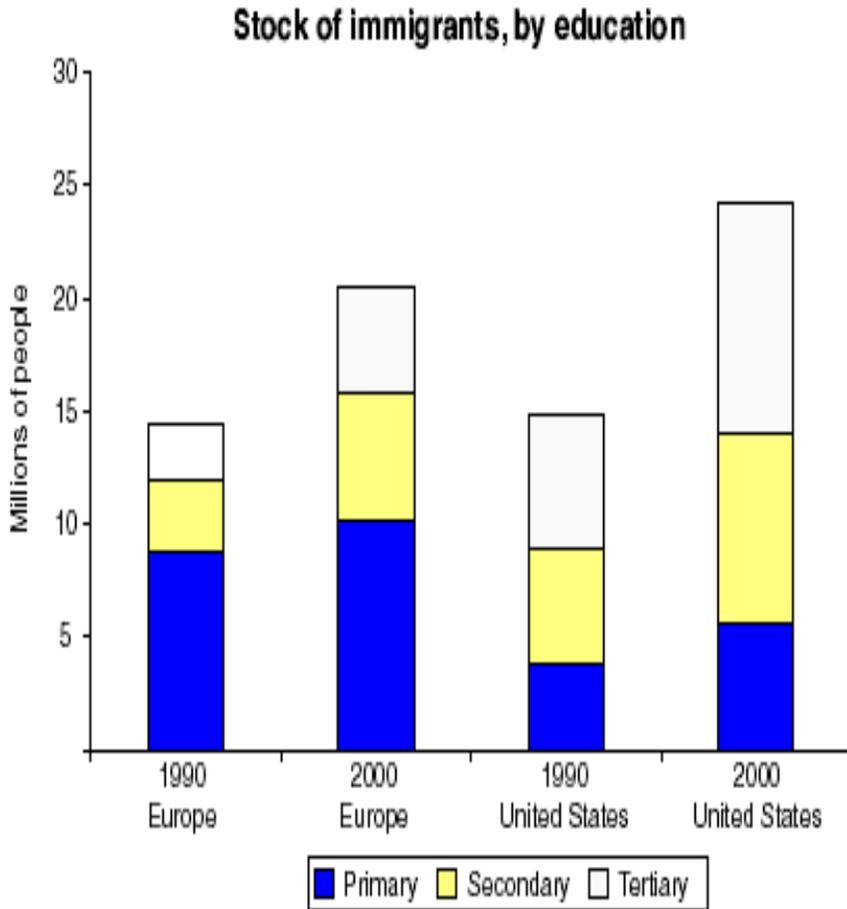
- Population Census and Labour Force Surveys: years of completed education for resident/foreign population stocks and flows (*quantity measure*)
- International Adult Literacy Survey. Literacy tests for population aged 16-65 on prose, document and quantitative literacy (*quality measure*)

Brain Gain in the EU is limited: mainly brain-gain brain-drain within the EU



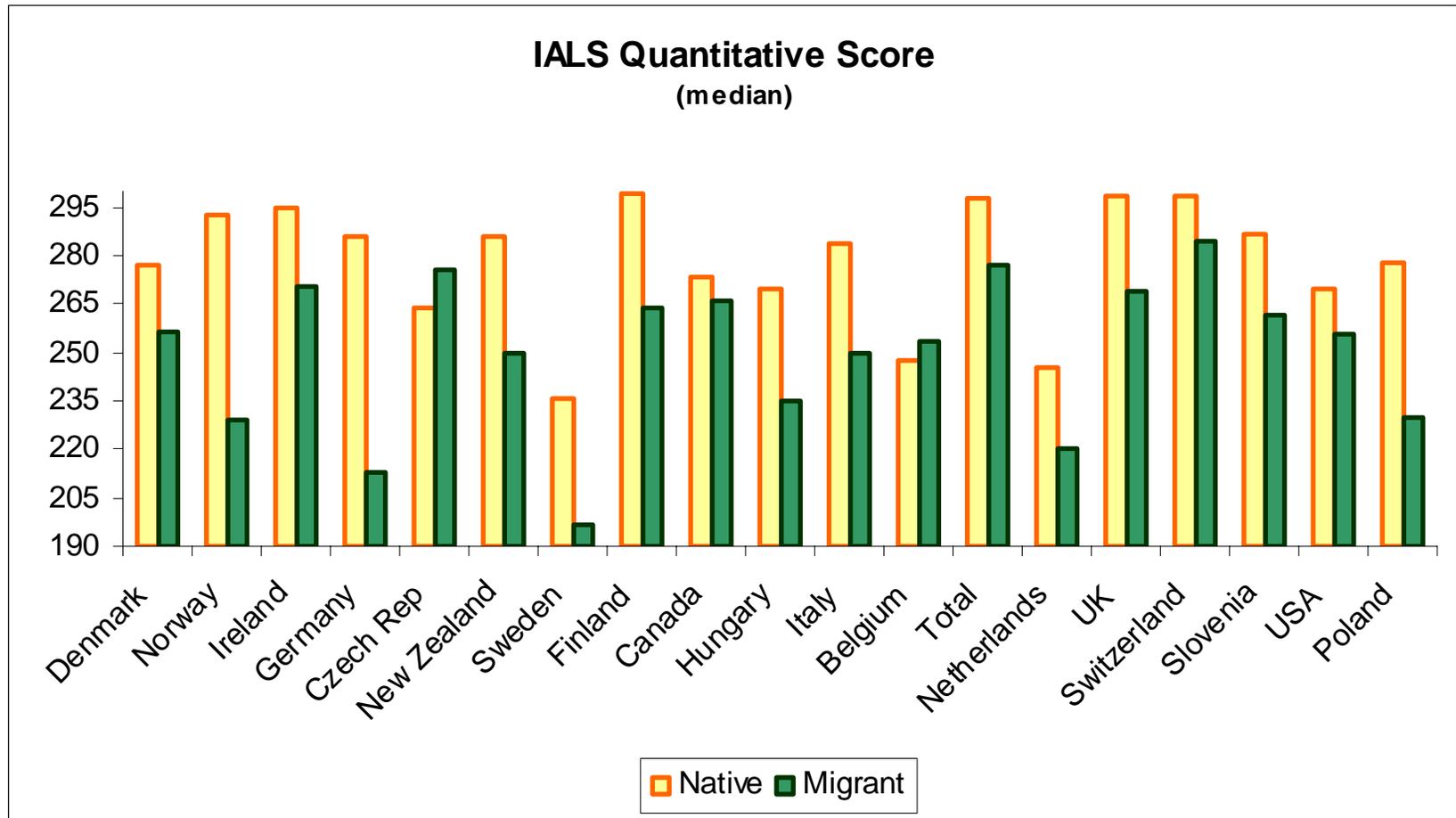
Population Census data, 2000

The US is more successful in attracting skilled migrants



Source: IOM & OECD Database on Expatriates and Immigrants, 2004

Quality of education: IALS median score

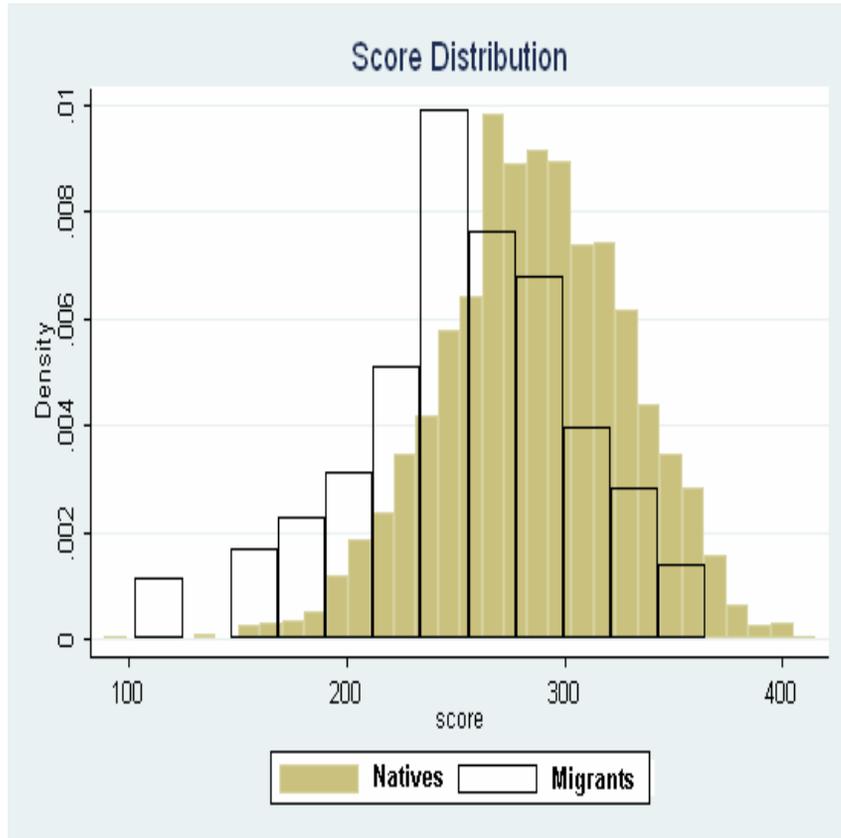


Notes: Average scores in quantitative tests for natives and migrants

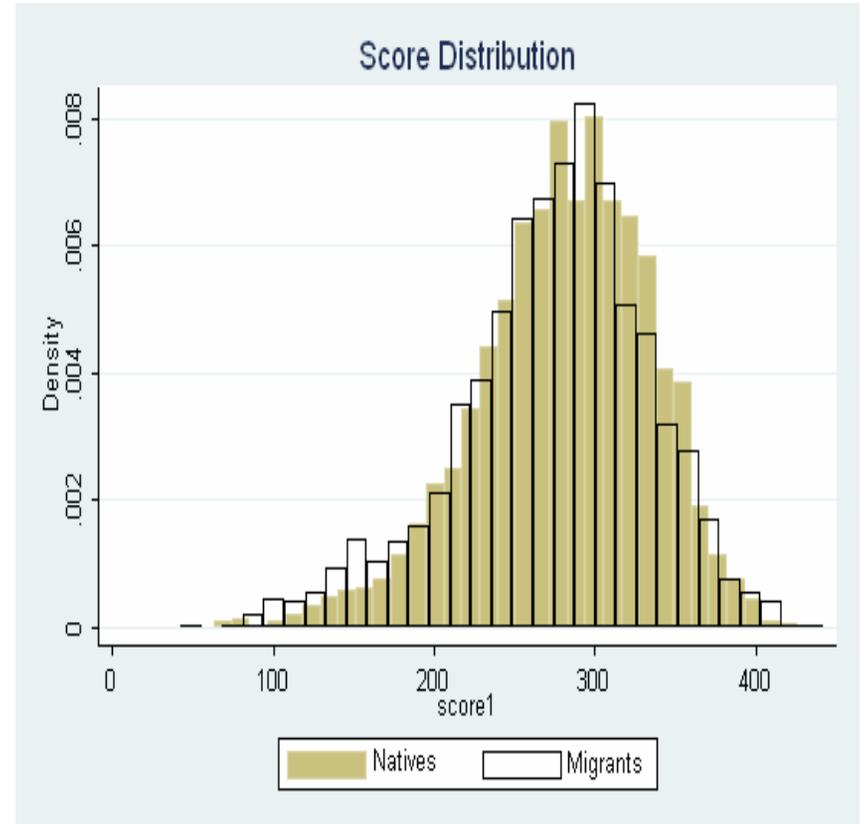
Source: IALS dataset

Looking at the distributions

Germany



New Zealand



Overall

Immigrants are almost as skilled as natives (accounting for quality) when:

- The education of the native population is low (e.g., Belgium)
- The immigration policy relies on a points system (e.g., Canada and Switzerland)
- Skill wage premia are large (e.g., the US)

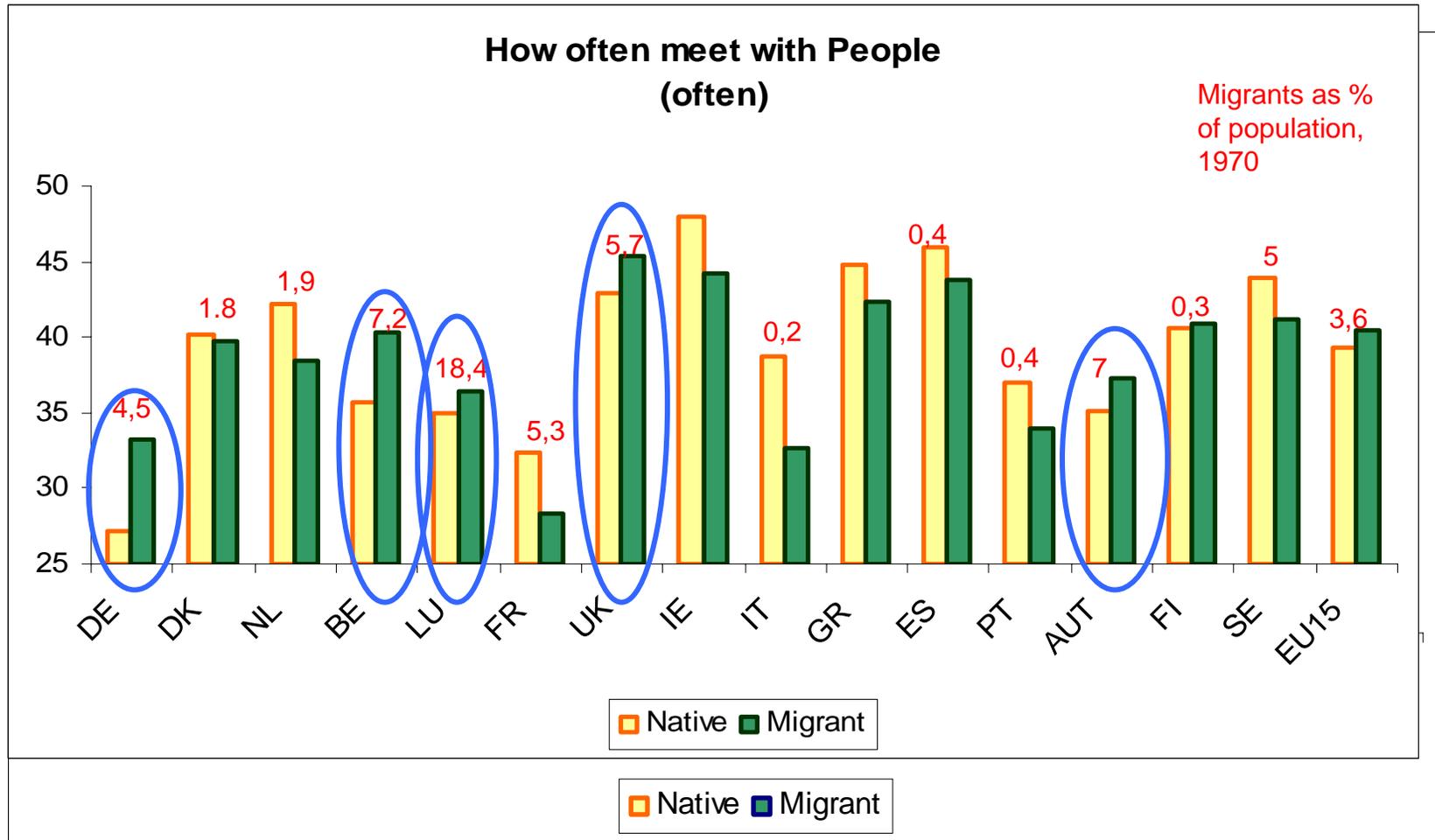
In the egalitarian Nordics, migrants are substantially less skilled than natives

How Rapidly are we Assimilating Migrants?

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- Acquisition of language proficiency is very important for assimilation: almost half of wage growth after arrival attributable to gains from becoming bilingual
- Better less ethnic segregation in the country of destination then
- Greasing the wheels effects in low-mobility countries also speak in favour of “spreading out” migrants.

Measures of assimilation



Countries with longer history of migration show higher assimilation

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3. Developments of national legislations

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- Tightening of migration policies towards the unskilled is under way in the EU
- While race to attract highly skilled migrants
- Explicit point systems in an increasing number of countries (Canada since 67, Australia since 84, New Zealand since 91, Switzerland since 96, UK is adopting one)

Table 9.1 Strictness of Migration Policies in the Countries of the EU with the Largest Immigration

	Existence of quota System	Admission requirements	Years to obtain permanent residence	Residence requirements	Length of first stay	Overall index
		(1)	(2)	(3)	(4)	(5)
Austria	yes	5	5	3	2	2.8
Denmark	no	6	7	4	4	3.2
Finland	no	4	4	2	4	2.8
France	no	3	5	1	2	1.5
Germany	no	6	5	4	2	2.6
Greece	no	4	10	3	2	2.7
Ireland	no	6	10	3	2	2.9
Italy	yes	6	6	3	2	3.1
Netherlands	no	5	5	2	4	3.0
Portugal	yes	6	5/8	3	2	3.1
Spain	yes	6	5	2	2	3.2
UK	no	3	10/14	1	2	2.9

(1) The number of certificates and procedures needed to be admitted as a foreigner, whatever the motivations may be.

(2) The number of years required to obtain a permanent residence permit.

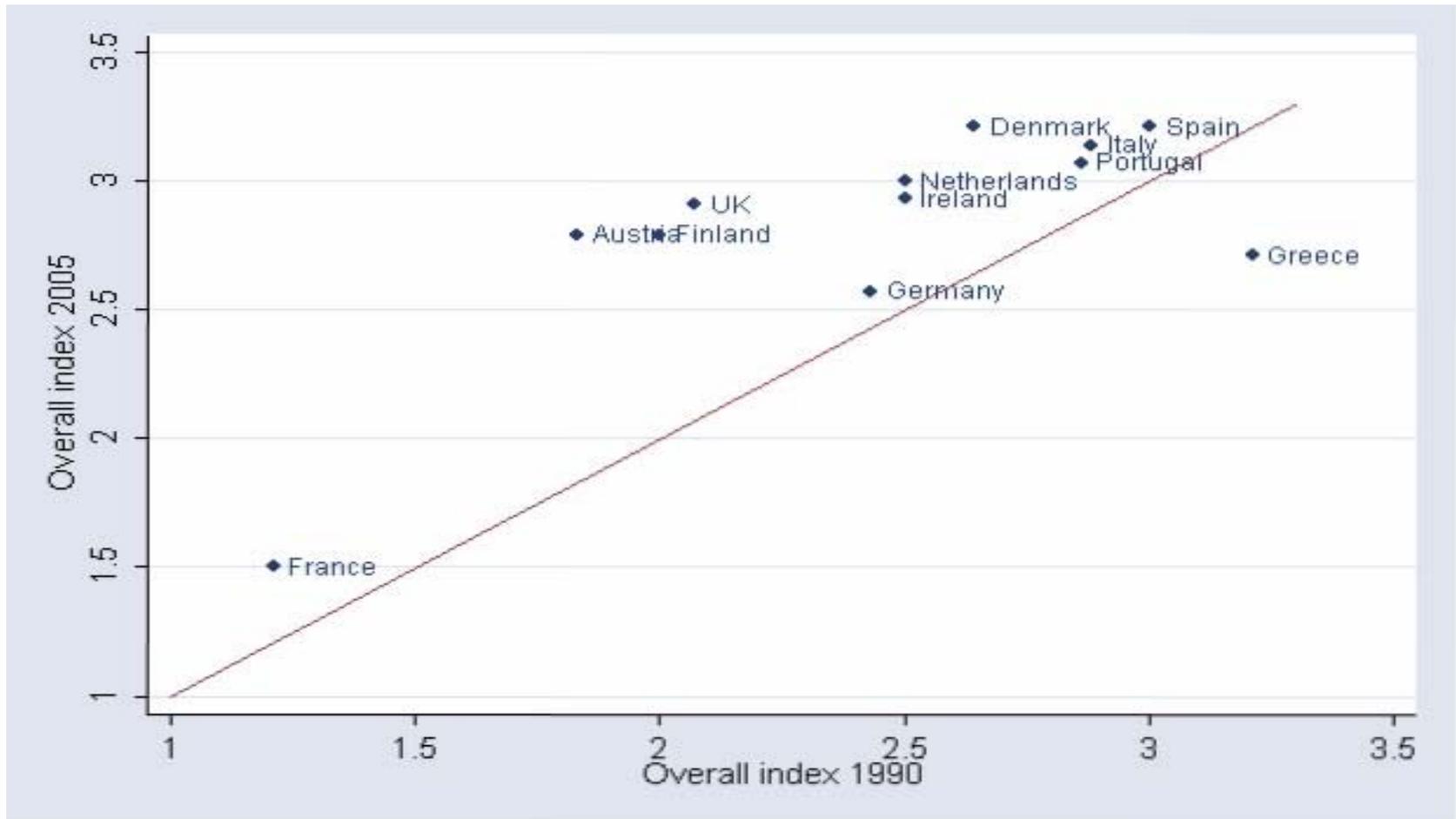
(3) The number of certifications or procedures required to legally reside in the territory. This differs from the requirements for entering the country because holding a valid document is typically not sufficient.

(4) The number of years of stay required to obtain a first residence permit.

(5) For details as to how the overall index is computed, see www.frdb.org.

Evolution in individual countries

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How the PBS works in New Zealand

Application: must be made outside New Zealand

Three stages procedure:

- 1. Expression of interest:** at least 100 points, details on health, character, age, English proficiency
- 2. Invitation to apply:** “Expressions of interests” ranked by points. Applicants with highest points officially invited to apply for residence. Documents supporting application must be sent.
- 3. Decision-making:** applications are fully verified. Approval letter with conditions (Residence Visa or Work Permit) applying to applicants and their family.

Factors
1. EDUCATION
2. JOB OFFER OF SKILLED EMPLOYMENT Bonus points if: <ul style="list-style-type: none">- in area of growth- in an absolute skills shortage area- within certain clusters- for employment outside Auckland
3. WORK EXPERIENCE (at least one year in a skilled occupation)
4. QUALIFICATIONS Bonus points for New Zealand qualifications awarded after at least two years' study
5. AGE

Pros and cons of PBS

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- Skilled migration is better for countries with European-type redistributive institutions; reduce inequalities in the recipient
- **Pros:** simplification of migration policies (including asylum). Unique framework
- **Cons:** enforcement is difficult; risk of “brain drain”, equity considerations.

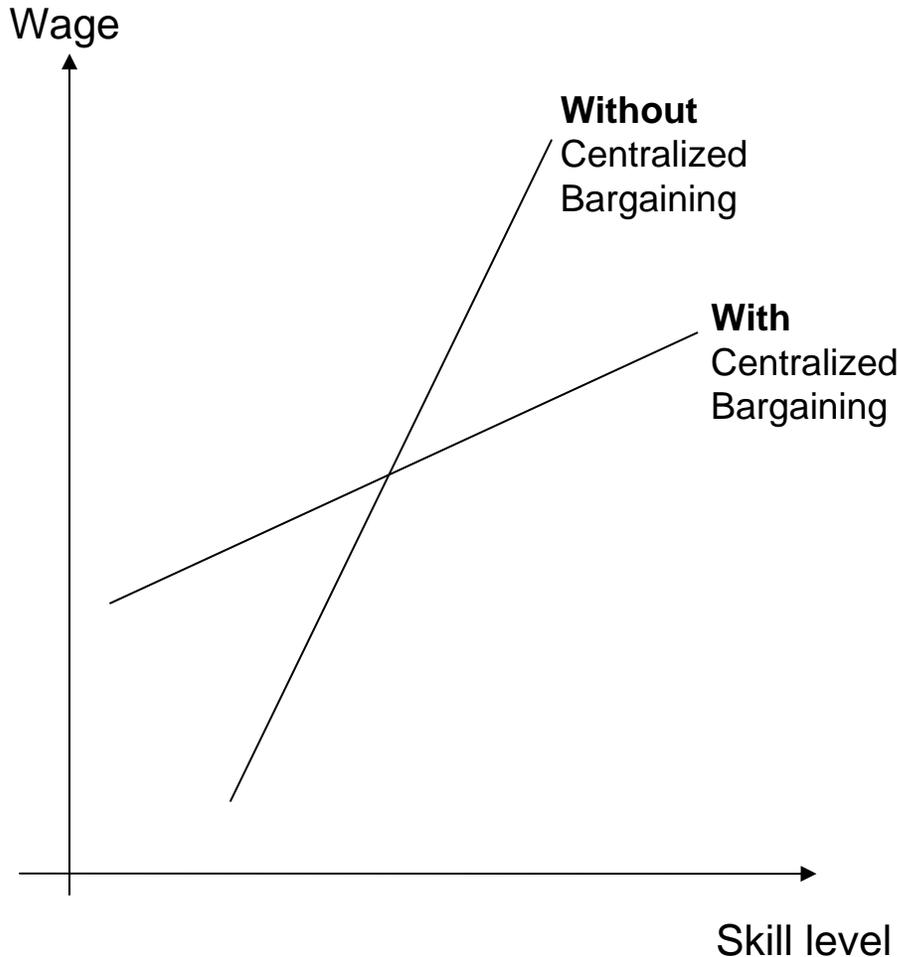
A common EU policy?

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- **Pros:** The EU labor market can be more attractive for skilled workers if they can move across EU countries (today PhD students cannot go to conferences elsewhere in the EU)
- **Cons:** Individual countries may have heterogeneous preferences about “desirable migration” levels and composition.

PBS allows for different rules concerning low-skill migrants

Why Wage Bargaining is Important



Collective Bargaining

- Compressed wage setting: low remuneration of talent
- Seniority is rewarded rather than productivity



Less attractive for (young) skilled workers

Summarizing

- Migration increases growth *rates* insofar as it increases skill content of the labor force.
- In order to attract more skilled migrants, need to adjust not only migration policies, but also labour market institutions, notably collective bargaining systems. Complete the reforms (prices after quantities)
- Migration policies are becoming increasingly selective *de facto* if not *de jure*. Easier to agree on a coordinated PBS at the EU level.
- Invest more on assimilation to fully exploit human capital spillovers arising from skilled migration