

Matching economic migration with labour market needs in Europe



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MATCHING ECONOMIC MIGRATION WITH LABOUR MARKET NEEDS IN EUROPE

Policy Brief September 2014

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Key messages

The European Commission and the OECD have carried out a joint research project over three years on *Matching Economic Migration with Labour Market Needs*. The project has shed light on the following key questions: What policies and practices are needed to ensure that economic migration and free movement contribute to meeting the labour market shortages that are expected to arise over the medium term? How to ensure a better use of migrants' skills? What are the lessons learnt from non-European OECD countries, particularly in the management of labour migration?

These questions were addressed in two publications on *Free Movement and Workers and Labour Market Adjustment. Recent Experiences from OECD Countries and the European Union* (OECD, 2012) and on *Matching Economic Migration with Labour Market Needs* (OECD-EC, 2014). This policy brief synthesizes the main results of this project and offers some lessons for European countries.

- In Europe, the working-age population (15-64) is projected to decline by 2.2% between 2013 and 2020. At the same time it will grow, by the same proportion, in the OECD area as a whole.
- Mobilising the full potential of resident workers, by tackling the gender gap and improving labour market outcomes of young and older workers, is a critical component of the policy response, but migration and immigrants also have a role to play.
- The potential role of immigrants in the context of ageing cannot be assessed only on the basis of demographic imbalances; one should also consider changes in labour demand and future skills needs. To reap the full potential of migration a three-pronged approach is needed, focusing on: a better allocation of skills by fostering intra EU mobility; a better use of migrants' skills; and finally the development of the pool of skills.
- Within Europe, given large differences in labour market conditions across member states – which further amplified during the recent crisis– internal labour mobility could make a significant contribution to overall employment growth. Available estimates suggest that up to a quarter of the asymmetric labour market shock could be absorbed by migration within a year.
- Intra-EU movers are on average much younger and more highly educated than the non-mobile population. The over-qualification rate is nevertheless high, notably for people originating from central and eastern EU countries, as more than half of the tertiary graduates from those countries work in low or medium-skilled occupations.
- To improve the use of the potential of intra-EU migration, efforts to reduce barriers to mobility need to be stepped up. As part of a broader mobility strategy, skill matching tools within the EU should be strengthened and the learning of EU languages promoted.
- Immigrants tend to be overrepresented on both ends of the qualification scale, but have on average slightly fewer years of education than the native-born. However, labour market disparities between the foreign-born and their native-born peers widen with educational attainment. Furthermore, returns to foreign qualifications are lower than the returns to host-country qualifications, in terms of employment, job quality and earnings.
- Not only are the skills of immigrants often underutilised but, so too are those of their children who have been raised and trained in the destination country - notably in European OECD countries. Strengthening integration and anti-discrimination policies will be necessary to address this issue.

- Efficient use of the skills of immigrants and development of their potential requires a series of measures including: i) increasing the availability of information and the take-up of recognition of foreign qualifications; ii) making sure that immigrants have access to the most efficient active labour market programmes and developing flexible specific measures to improve access and impact; iii) putting immigrants more directly in contact with employers; iv) making sure that children of immigrants have access to early childhood education and care; and v) providing language training adapted to migrants' skills in destination countries.
- While many countries have liberalised migration regulations for the highly skilled, qualified labour migration from third countries remains low. This is particularly true outside those southern European countries in which migration has been largely for lesser skilled jobs.
- Excluding intra-EU mobility, considerably more jobs at all skill levels are currently filled by migrants entering the country for reasons other than labour market access (including joining or accompanying family, marriage, humanitarian reasons, etc.). Furthermore, approximately 40% of labour migrants recruited from abroad have left the host country within five years and 50% of those who stayed are no longer in the job for which they were originally recruited. This may cast doubts on the efficiency of recruitment tools based on *ex ante* identification of occupational labour shortages.
- For labour migration to play a more efficient role in meeting current and future skills needs, policies should aim to: i) strike a better balance between reliance on employer demand and safeguard mechanisms; ii) improve matching tools to enable employers to identify potential migrant workers (including foreign students) and migrant jobseekers to identify potential employers; and iii) promote learning of EU languages abroad and explicit language requirements in job vacancies.

Migration and demographic trends

The demographic change that is underway in almost all OECD countries – the retirement of the large baby boom cohorts and their replacement by smaller youth cohorts – is a source of concern for policy makers. In Europe in particular there are fears that there will not be enough workers, or at least enough workers with the right set of skills, to replace those who will be retiring. Governments are accustomed to dealing with economic growth in the context of demographic expansion, but addressing demographic contraction raises different types of questions and challenges.

Mobilising the full potential of resident workers, by closing the gender gap and improving labour market outcomes of young and older workers are critical components of the policy response to population ageing, but migration and immigrants also have a role to play.

Demographic changes and labour market needs

All OECD countries are confronted with the effects of population ageing. The European Union and Japan will be affected first and more severely than elsewhere in the OECD. In Europe the working-age population (15-64) is projected to decline by 7.5 million (-2.2%) between 2013 and 2020, while it will grow in the same proportion in the OECD area as a whole. Under a scenario with zero net migration, the working-age population of the 28 EU countries would be expected to decline by even more, i.e. 11.7 million (-3.5%) by 2020. Under this scenario, Germany, Italy and Poland would each lose more than 1.5 million people of working age by 2020.

It is often argued that this decline should be offset to avoid lower economic growth and wellbeing, and that this requires additional workers, including immigrants, to move into the occupations from which older workers are retiring. The picture, however, is not so simple. First of all, in many countries, there is still considerable slack in the labour market, not only with respect to open unemployment but also regarding low labour market participation of women, older workers, and other groups such

resident immigrants and their children. Secondly, workers are extending their working lives, which contributes to increasing the size of the labour force.

Altogether, at current projected levels of net migration and foreseen increases in participation rates, the European labour force will actually increase at least until 2020 and not decline. In practice, however, the question goes well beyond demographic counts because the labour market is dynamic and occupations are changing. Therefore it is not only a matter of replacement or of labour needs.

In Europe, between 2000 and 2010, for example, there were almost three times as many entries, among youth alone, into strongly growing occupations – as measured by the number of employed – as there were retirements from these occupations. But new entries of youth compensated for only about half of the retirements in strongly declining occupations.¹ In other words, as the structure of the economy changes, a considerable amount of net occupational change occurs through the entry of young workers and the exit of older workers.

Significant numbers of immigrant entries are observed in both growing and declining occupations, however, immigrants make up for only a fraction of total movements into these occupations.

In Europe, over the past decade, new immigrants represented 15% of entries into strongly growing occupations, such as science, technology and engineering as well as the health and education professions. In the United States, the equivalent figure is 22%. Migrant workers are thus playing a significant role in responding to labour demand in the most dynamic sectors of the economy.

At the same time, migrant workers also play an important role in declining occupations such as trade workers. Even though employment in these occupations is declining overall, there are

1. Strongly growing/declining occupations represented the top/bottom 20% of 2010 employment in occupations with the highest/lowest employment growth rates over the period 2000 to 2010.

still many jobs that need to be filled. Over 2010-20, new immigrants accounted for 28% and 24%, respectively, of entries into strongly declining occupations in Europe and the United States.

Large numbers of workers retiring from an occupation do not necessarily imply that many immigrants will have to be recruited to make up for the (apparent) shortfall in youth entries, nor does a significant inflow of youth into strongly growing occupations obviate the need for recruitment from abroad. Recruitment needs depend on the precise nature of labour demand, and this is difficult to predict over the medium term.

Labour shortages and skills mismatches

There is currently no general agreement on labour shortages (Box 1) and the question is better approached in the broader context of skill needs and mismatches.

The European Centre for the Development of Vocational Training (Cedefop) is monitoring current and future skills needs in Europe. In 2011, there were more low-educated workers in the EU than jobs at that level, suggesting an over-supply of low-skilled workers. The reverse is true for jobs requiring medium-level qualifications, while at higher level, supply and demand were more or less in line (Cedefop, 2014a). An overall balance between aggregate labour supply and demand can, however, hide micro-level qualitative mismatches. These may be due, for example, to frictions, barriers to mobility, or asymmetric information between employers and workers (EC, 2012a).

Indeed, surveys of employers suggest potentially significant unmet skills needs. The 2013 European Company Survey, for example, found that, despite the slack in the labour market, 40% of EU companies have difficulties finding workers with the right set of skills. Similarly, in a joint OECD-DIHK survey of German employers in 2011, about half of firms reported staff shortages in medium skilled occupations, compared with less than 20% for low-skilled workers and 42% for the highly-skilled.

A breakdown according to company size shows that 55% of small companies reported shortages at the intermediate level while 70% of large companies were looking for highly skilled workers. Whether these claims exaggerate or reflect the reality is subject to debate, but clearly skill needs are not only about numbers but also about matching demand and supply.

In the EU28, changes in the skill composition of employment between 2012 and 2025 is expected to show a sharp increase in the share of jobs employing higher-educated labour (by 23%), while that of demand for medium-level jobs is expected to increase moderately (3.5%) and that of lower-skilled workers is expected to decrease significantly, by 24% (Graph 1).

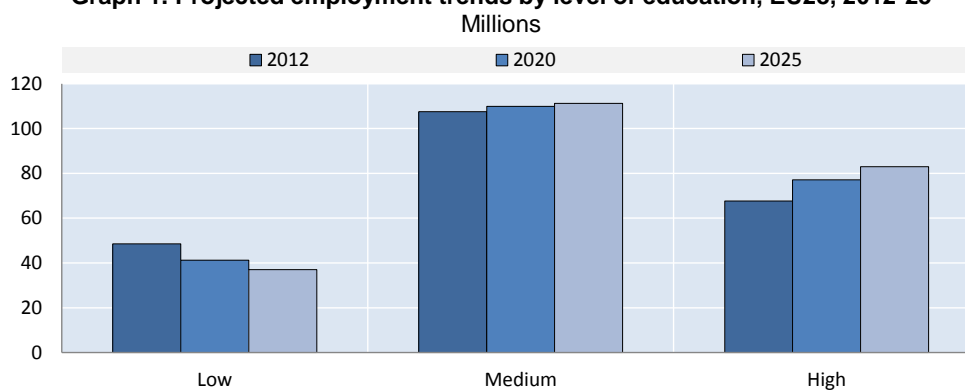
Box 1. Identifying and measuring occupational labour shortages

The term “labour shortage” has no universally agreed upon definition. It sometimes refers to a shortfall in the total number of individuals in the labour force and sometimes denotes the possible mismatch between workers and jobs in the economy. Occupational labour shortage can be defined as a sustained market disequilibrium between supply and demand, in which the number of workers demanded exceeds the available supply willing to work at the prevailing wage and working conditions at a particular place and point in time.

In practice, measuring occupational labour shortages is difficult. Using interviews is imprecise and tends to be biased. Objective labour market information, such as vacancy rates, unemployment rates, and changes in wage rates can be extremely useful but, in many OECD countries, data on detailed occupations are not necessarily available. Furthermore, there is no clear dividing line between structural and cyclical shortages. This poses problems in identifying the types of migration movements which ought to be encouraged.

For policy purposes, it is important to go beyond the economic definition of a shortage. Sometimes labour markets do not provide the socially optimal number of workers in a specific occupation. This is the case notably when the labour market is highly regulated. If rates of pay are set at a low level, the labour market will clear in an economic sense, but there may be a “social demand shortage,” that is, the market produces less than what society would like.

Source: Adapted from Barnow (2014).

Graph 1. Projected employment trends by level of education, EU28, 2012-25

Note: Baseline scenario; Low: ISCED 0-2; Medium: ISCED 3-4; High: ISCED 5-6.

Source: Cedefop (2014b).

In the United States, according to the latest projections from the Department of Labour, total employment is projected to increase, between 2012-22, by 10.8%, or 15.6 million. Personal care aides and registered nurses will be the occupations in which the highest number of new jobs is expected in the upcoming decade. More generally the skill needs will be dispersed throughout the whole skill spectrum with a strong focus on health occupations. Nineteen of the 30 occupations projected to grow fastest from 2012 to 2022 will typically require some form of post-secondary education for entry. However, these are not necessarily the occupations with the largest projected employment increases and two-thirds of these will not require postsecondary education.

In Canada, the Canadian Occupational Projection System makes it possible to look at imbalances between labour demand and supply between 2011 and 2020. It estimates a total of 6.5 million job openings over the next ten years, two-thirds of which will be in occupations which usually require post-secondary education or in management occupations. A large number of occupations that are expected to face labour shortages over the next ten years are in health, management, trades, transport and equipment and in the primary sector. Virtually all of these are highly skilled occupations (occupations usually requiring a college or a university education, or management occupations). Relatively few occupations requiring only secondary school or occupation-specific training are expected to be in shortage; these are notably in the health care sector.

Overall, available evidence suggests that in most OECD countries labour needs over the next decade will be concentrated in specific occupations – largely at the higher end of the skill distribution, but also at intermediate skill levels.

The medium-term demographic prospects in Europe, however, raise additional challenges. Beyond 2030, according to a recent working paper of the European Commission (Peschner and Fotakis, 2013), it will no longer be possible to maintain sizeable employment growth in Europe via higher participation and employment rates. The only source of economic growth will therefore need to come from productivity gains – which would need to more than double compare to the levels observed during the decade before the crisis, to compensate for the decline in employment.

To sum up, although in the short term, the effect of population ageing can be largely tackled by a better use of available human resources, in the medium and long-run, this will not be sufficient to counterbalance demographic trends. Furthermore, skill mismatches are likely to be more important than labour shortages per se. In this context, the capacity to sustain productivity gains by fostering technological progress and innovation, by better utilising available skills, by improving the skill-mix and by increasing net accumulation of human capital – through education and training as well as overseas recruitments – will be critical. In most of these dimensions, economic migration has a positive role to play. This will require, however, a better use of skills of already settled migrants together with well identified and managed pathways for recruiting new migrant workers with the appropriate set of skills.

Enhancing the use of migrants' skills

While migration can play an important role in expanding the pool of skills available, efforts should also be made to better mobilise the available domestic labour supply, including that of immigrants already settled and their children, as well as improving the match between labour demand and supply through mobility within the EU/EFTA free-mobility area.

Strengthening geographic and occupational mobility

Since the second half of the 20th century, free labour-mobility areas have expanded widely, in the context of the development of regional economic integration processes. Several examples of free-movement zones across OECD countries are the EU/EFTA area, the Trans-Tasman Travel Arrangement between Australia and New Zealand, and the MERCOSUR Free Movement and Residence Agreement. The North American Free Trade Agreement also provides for some movement facilitations, albeit to a much lesser extent (OECD, 2012).

The share of free-movement flows in total permanent migration movements is highest in the EU/EFTA area. It currently represents the most significant example of a free labour-mobility zone, both in terms of the number of countries involved and the scope of the liberalisation. At present, the EU/EFTA labour market counts more than 343 million persons of working age.

Free movement is one of the four fundamental freedoms in the European Union but it is also an underused economic resource. From an economic standpoint, as pointed out in the seminal work of Mundell (1961), labour mobility has a key role to play as a shock absorber within a currency union.

Given the disparate labour market conditions prevalent across the EU, further amplified during the recent economic crisis, mobility within the EU/EFTA area could indeed act as a significant re-equilibrating force thereby contributing to employment growth.

In the United States, free mobility, proxied by the percentage of persons who lived a year ago in a different state, accounted for 2.7% of the total population in 2011/12. Free movement of citizens from one country to another within the EU/EFTA area relative to the total population represents roughly one tenth of that level.

However, the scale of labour mobility and its sensitivity to changing labour market conditions greatly increased within the EU/EFTA following the EU enlargements of 2004 and 2007. This has increased the capacity for labour markets' adjustment. Recent estimates suggest that up to a quarter of the asymmetric labour market shock – that occurs at different times and with differing intensity across countries – could be absorbed by migration within a year. Estimates suggest, however, a stronger effect outside the Eurozone area than within (Jauer et al., 2014).

Migration to the “old” EU countries has risen since the year 2000, though it diminished since the onset of the crisis. In 2012, the 15 old EU member countries witnessed an inflow of around 1.9 million permanent migrants, almost half of whom were from other EU countries. Since 2000, Romania and Poland have been two leading sources of intra-EU mobility, with Romania accounting for 10% of cumulated flows and Poland 6%. However, as a percentage of their populations, mobility from Romania, Lithuania and Latvia to other EU countries has been the highest (Graph 2).

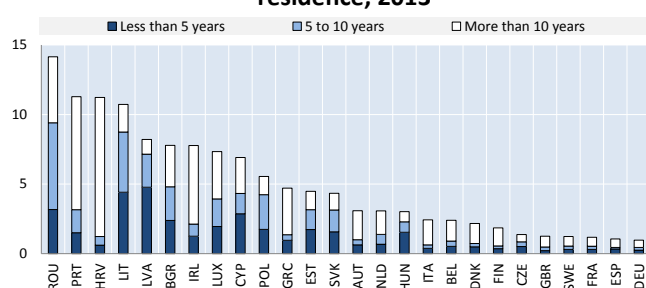
Between 2000 and 2012, Germany, the United Kingdom, Spain and Italy were the major destinations for mobile EU citizens. These four countries received 71% of citizens from all EU countries and 81% of immigrants from the countries that joined the EU since 2004.

Intra-EU movers are on average much younger and more highly educated than the non-mobile population, though this pattern varies across countries. This phenomenon is also observed in the United States, but to a lesser degree.

Among intra-EU movers, nationals from southern Europe stand out as those with relatively high education level, the majority

having a tertiary-level degree. Alongside the relatively high formal education level there exists a relatively high occupation level for those migrants from southern Europe who managed to find employment, though a number of them are over-qualified for the job they have. The over-qualification rate is nevertheless most pronounced for intra-EU movers from central and eastern EU countries as more than half of the tertiary graduates from those countries work in low or medium-skilled occupations.

Graph 2. Working-age citizens living in another EU country as a percentage of the population (15-64) of the country of citizenship by duration of residence, 2013



Source: Labour Force Surveys (Eurostat) 2013.

Since the onset of the crisis in 2008, intra-EU movers tend to come more often from southern EU countries and less from central and eastern countries, though the latter still make up three fifths of recent flows. The geography of destination countries has also changed, with rising flows towards Germany and a drop in those going to countries such as Spain or Ireland. Moreover, the share of tertiary graduates among recent intra-EU movers has further increased, notably due to a shift in labour demand since the onset of the crisis (EC, 2014).

Different labour market conditions stimulate labour migration which tends to reduce these differences. In this context, potential benefits from further reducing barriers to labour mobility within the EU could be important. At the EU level, the 2012 employment package (EC, 2012b) outlined the vision of a genuine EU labour market. Since then various initiatives have been taken to remove barriers to mobility such as the recently adopted EU Directives on facilitating the exercise of rights to free movement and on acquisition and preservation of supplementary pension rights. Beyond removing obstacles, other initiatives have been developed to support

mobility (further improvement of the pan-European job search network EURES and targeted mobility schemes such as “Your First EURES job” initiative) or to address the unwanted consequences of mobility (e.g. the enforcement directive on the posting of workers; use of the European Social Fund to address social inclusion challenges of mobile EU citizens).

What could be done ?

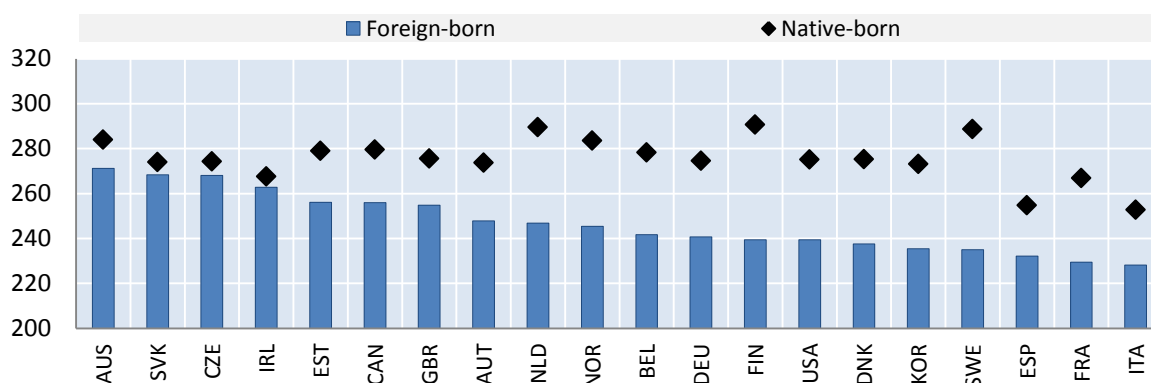
- Pursue efforts to reduce barriers to mobility
- Strengthen skill matching tools within the EU
- Promote language learning of EU languages

Activate migrants’ skills and increase returns to skills

A large share of immigrants is in employment. On average, the employment rates of low-educated immigrants are even higher than those of their native-born peers. In contrast, high-educated immigrants have lower employment rates than the high-educated native-born in virtually all OECD countries and, when employed, are 50% more likely to be in jobs for which they are formally overqualified.

Migrants’ skills and their use in the labour market – what do we know?

The most widely used and readily available proxy for skills is educational attainment. Immigrants tend to be overrepresented at both ends of the qualification scale and, in Europe, have on average slightly fewer years of education than the native-born. Relative to their native-born peers, immigrants in the United States have lower education levels than immigrants in Europe. At the same time, one observes that in both regions, immigrants who have arrived more recently are more highly educated than immigrants who arrived years ago. Immigrants who have arrived recently also have almost the same number of years of education as the native-born of the same age and gender living in the same country, particularly in Europe. This holds independent of origin countries and is a strong indication of a changing pattern of migration flows towards more qualified migration.

Graph 3. Performance in literacy in PIAAC, by place of birth, 2012

Note: The sample includes persons aged 16-65. 50 points in the literacy proficiency score correspond to a level of literacy or to about seven years of schooling.

Source: OECD Programme for International Assessment of Adult Competencies (PIAAC).

Although migrants' labour market outcomes increase with their education level, this occurs to a lesser degree than for the native-born and the gap between the two groups widens with educational attainment. This is driven by the lower returns to foreign qualifications compared with host-country qualifications. This refers to employment, job quality and earnings and it is observed both in Europe and in non-European OECD countries such as Canada and the United States. In Europe, particular issues arise for foreign degrees from non-EU countries, which are much more strongly discounted in the labour market than those from other EU countries.

Importantly, however, host-country education seems to matter more for labour market outcomes than immigrant origin – both in terms of access to employment and in terms of job quality. In other words, the lower labour market outcomes of immigrants with foreign qualifications is not driven by the origin of the immigrants themselves, but by issues related to their foreign qualifications.

Labour market integration issues also differ greatly across immigrant groups. The qualifications of humanitarian and family migrants are much less valued in the labour market than those of labour migrants. But even the latter do not seem able to attain the same returns to additional education as the native-born. This is not driven by differences in fields of study, as the fields of study are remarkably similar – both between immigrants and the

native-born, and also among different groups of migrants with tertiary education.

There are several reasons why foreign qualifications tend to be discounted. In part this is due to the fact that the skills outcomes of graduates of education systems in origin countries are not as good as those of graduates from institutions in the country of residence. Indeed, analysis with recent data from the OECD's Programme for International Assessment of Adult Competencies (PIAAC) suggests that immigrants with foreign qualifications often have lower assessed skill levels than their peers with host-country education (Graph 3). Education is always an imperfect proxy for skills, but this is particularly the case for immigrants.

Part of this may be due to the fact that literacy skills, as measured in PIAAC and other surveys, include a strong language component and it is difficult to disentangle the effects on assessed literacy of, on the one hand, language proficiency, and, on the other, cognitive skills. But it is clear that part of the discounting of foreign qualifications by employers is attributable to a lower mastery of the host-country language by immigrants with foreign qualifications. The observed penalty for lower language mastery of immigrants holds independent of the education level. At the same time, there is some evidence that language mastery matters most for the high-skilled. This suggests that much could be gained by more investment in or more effective host-country language training.

The assessment and recognition of foreign qualifications

A further element in the explanation for the observed discounting of immigrants' foreign qualifications is the fact that employers may have difficulties in judging these qualifications. Employers tend to be unfamiliar with foreign qualifications, and are often uncertain about their value and the information they convey regarding the applicant's actual skills and competencies. Domestic qualifications have the advantage of sending signals that employers can easily interpret, such as the name of the university or study programme. In addition, foreign qualifications often do not entitle their holders to exercise a regulated profession in the receiving country.

To overcome the barriers associated with foreign qualifications, most OECD countries have put in place specific procedures for the assessment and recognition of foreign qualifications. The assessment usually involves a review of the foreign credentials against a range of criteria that may vary across countries, professions, or even provinces/states/regions within one country, and which generally include the level and type of learning implied; the duration of a training or study programme; the status of the educational institution (or system) where the qualification was issued; the authenticity of supporting documents and the equivalence with comparable domestic courses of training or study.

The term *recognition* generally refers to the formal acceptance of a foreign qualification as being equivalent to a domestic study or vocational training diploma. Where the recognition process and criteria are regulated by law, and the outcomes are legally binding, one usually speaks of a formal recognition. Formal recognition is usually required in order to exercise a regulated profession. If immigrants do not fulfil all of the requirements for a full recognition, they may be issued a partial recognition which certifies the skills they have and identifies deficits. The partial recognition may recommend that the immigrant pass an examination or participate in a bridging course to acquire the missing skills. Assessing and recognising immigrants' qualifications and skills

is an important element in the integration process and ultimately in getting immigrants into jobs that correspond to their qualifications. However, relatively few immigrants with foreign qualifications apply for recognition, in spite of the apparent benefits this conveys. Part of the reason for this seems to be the often complex process and the many actors involved. For these reasons, several EU and OECD countries have recently put great efforts into improving their recognition procedures, by simplifying the structures and enhancing transparency. The new recognition law in Germany provides an example of this (see Box 2).

Box 2. The new framework for the recognition of foreign qualifications in Germany

A core component of the "*Law to improve the assessment and recognition of foreign professional qualifications*", which took effect on 1 April 2012, has been the introduction of a legal right to an evaluation for the approximately 350 unregulated professions (skilled professions in the dual system according to the Vocational Training Act, plus craft trades) as well as the regulated professions within the remit of the federal government. This entitles all immigrants with foreign qualifications to an individual assessment of their equivalence to German vocational qualifications. An important side effect of the new law is to effectively put in place one of the prerequisites for a possible opening of the German labour market to labour migration into medium-skilled occupations.

As the right to an assessment applies regardless of the place of residence of the applicant, persons abroad interested in migrating to Germany also have a right to request an evaluation of their credentials. Where equivalence to a German degree cannot be established, the new law requires that the assessment identify the gaps in prior education relative to domestic qualifications and how these can be bridged.

The law maintains the existing jurisdiction of chambers and authorities carrying out recognition procedures within their field of responsibility. To enhance transparency, for vocational qualifications, in 2012, the IHK FOSA (Foreign Skills Approval) was established in Nuremberg as the national competence centre for the evaluation and recognition of foreign vocational qualifications.

Along with the new act, an information portal, "Recognition in Germany" (www.anererkennung-in-deutschland.de) and telephone hotline, have been established, which provide information on the

appropriate authority responsible for the individual case and the procedure for the recognition of foreign professional qualifications, in both German and English. To improve transparency, the law includes, among other things, standardised equivalence assessment scales and a statutory procedural time limit of three months.

For academic qualifications, the German Länder have established a co-ordinating body, the Central Agency for Foreign Education, which provides information services both for the actual recognition bodies in charge and for individuals. The Agency runs a large free online database, ANABIN, which “translates” foreign qualifications into domestic ones. ANABIN is also consulted by the authorities in evaluating foreign degrees in the work-permit procedure. ANABIN includes more than 22 500 foreign academic degrees and several thousand secondary degrees and is continually expanding. For non-regulated academic professions, the Agency also provides individuals with assessments of their degrees. The application costs EUR 100 and grants both the title of equivalency and rights associated with the degree, although it is not binding.

Source: Adapted from OECD (2013a).

For immigrants with only partially or non-recognised foreign qualifications, “bridging” offers create the path to retraining in their field. In the absence of such measures, the immigrants concerned would be expected to start over and repeat their entire higher education in the host country if they aspire to work in a job in their field of training or study. However, in many countries these bridging measures tend to be poorly developed.

In addition to the recognition of formal qualifications, there is the much broader issue of the validation of skills – both those acquired formally and informally. Such validation procedures are becoming increasingly widespread among EU and OECD countries, although in most of these, they are still rather small scale. Because of employer uncertainty about migrants’ skills, validation is a measure from which one would expect immigrants to benefit disproportionately. Yet, they are often underrepresented among those undertaking evaluation. It would thus seem important to disseminate information about this instrument more widely, with a specific focus on immigrants.

Access to mainstream active labour market policies

Beyond the assessment and recognition of migrants’ skills and qualifications, there are many hurdles still facing the effective use of immigrants’ skills in host-country labour markets. These concern the practical experience of employers with immigrant skills, the public perception of these skills and the knowledge of immigrants themselves about the functioning of the host-country labour market. Even low-educated immigrants, who have little formal education, bring valuable skills and experience that needs to be activated and valued. Practical labour market experience is an important tool to ensure that misconceptions and information deficiencies are not self-perpetuating. This is where active labour market policy measures generally step in.

The range of such instruments includes, among others, training, the use of subsidised wages, job placements and internships. In addition to keeping immigrants out of inactivity, policies that involve some element of employment experience provide immigrants with the opportunity to demonstrate to potential employers the relevance of their skills and qualifications. In this way, such policies can overcome the information deficiencies that often affect demand for immigrant workers. The available evidence suggests that some of the most effective active labour market programmes combine work experience with on-the-job training. However, immigrants are often underrepresented in the mainstream labour market instruments which tend to be most beneficial for them. Improving immigrants’ access to such instruments should thus be a key objective for policy.

What could be done ?

- **Increase take-up rates for assessment and recognition of foreign qualifications**
- **Activate migrants’ skills through mainstream and flexible specific programmes to increase participation and impact**
- **Put immigrants in contact with employers**

Expanding the pool of skills

Looking forward, OECD countries, notably in Europe, will have to foster the development of new skills to fuel productivity gains. Here again migration and immigrants have a role to play.

Developing the skills of immigrants already settled

Access to training, including language training, for adult immigrants

The outcome of the assessment and recognition of immigrants' qualifications and skills should form the basis for further development of the skills needed to succeed in the host-country labour market. The most obvious of these skills is mastery of the host-country language. This also has many positive spill-over effects into other domains and is key for broader social integration. Indeed, the single most important targeted investment by countries in developing the skills of both foreign-born adults is generally that of language training.

Obviously, learning trajectories will differ depending on immigrants' educational background and skills and such training needs to be tailored to account for this. The most effective language training for employment is job-related and provided at the work place, but finding appropriate placements has often been a challenge. In addition, such training is more costly than basic language training. However, the potential returns in terms of better labour market integration are larger.

A specific type of lifelong learning relates to second-chance programmes for adults with low or no formal qualifications. These have been introduced in several European countries including Austria, Germany, the Netherlands, Norway, Poland and Sweden, often with an implicit focus on immigrants. Many of these provide non-formal training environments and combine these with part-time work. Although there has been little evaluation of these programmes for immigrants thus far, this combination holds promise.

Challenges for the integration of children of immigrants in the school-to-work transition

Not only are the skills of migrants themselves often underutilised, but so too are those of their children – notably in European OECD countries. This is often true even when their children have been raised and trained in the destination country. This is a particular issue in Europe, where immigrant parents in the past often had very low education levels. Measures to help integrate immigrant parents, notably by providing training and better access to employment, will have an important spill-over effect on the outcomes of their children. Involving and supporting immigrant parents is thus a necessary and important first step towards integrating their children.

Regarding instruments targeted at the children themselves, there seems to be a strongly positive impact of participation in kindergarten and other pre-school activities on future educational outcomes of the children of immigrants. Measures aimed at increasing participation in early education are thus essential for both the educational and the labour market outcomes of the children of immigrants.

Segregation in the school system is a matter of growing concern among policy makers in a number of countries. It is not so much the concentration of children of immigrants per se, but rather the concentration of students with low-educated parents that hinders academic achievement. The two are often confused since children of immigrants are strongly overrepresented in disadvantaged schools in most European countries, and this holds even after controlling for parental education. In many countries, going to a disadvantaged school – that is, a school with many children of low-educated parents – has a greater effect on educational attainment than parental country of origin. Trying to reverse this trend is a challenge. Most promising seems to be a focus on early intervention such as universal early childhood education and care, to overcome disadvantage prior to admission into primary school.

Children of immigrants rarely have the same chances to access good training places in the apprenticeship system. This is partly because places are attributed through parental networks, of which immigrants have fewer. In countries without an apprenticeship system, the same applies to different types of workplace training within the school system. Educational institutions, therefore, need to be actively involved in the acquisition of apprenticeships and other training places and in allocating immigrant pupils to these training places. Similarly, schools should be more active in transmitting information regarding how the labour market functions.

A specific issue facing children of immigrants in their school-to-work transition is discrimination. Virtually all OECD countries have a legal anti-discrimination framework, and for many European OECD countries, the relevant EU anti-discrimination directive has been instrumental in its development. However, while important, such legislation generally only targets a small part of actual discrimination. Discrimination is largely based on stereotypes, and a balanced public discourse on migration and integration issues is a precondition to combatting these and thus in paving the ground for an effective use of the skills of both immigrants and their children.

What could be done ?

- **Make sure that children of immigrants have access to early childhood education and care**
- **Provide language training adapted to migrants' skills in destination country**
- **Strengthen anti-discrimination policy**

Recruiting new skills according to future needs

Although the current difficult labour market situation in many EU countries makes it challenging to explain the need for labour migration, it nonetheless seems clear that one important way in which enterprises will be able to maintain and develop their human capital and therefore their level of activity in the future is through the recruitment of skills from abroad.

Currently there are two principal ways in which this is done. In the first (supply-driven), the government administration invites interested persons to apply and selects among them on the basis of characteristics deemed to be conducive to integration; such characteristics may include the level of education, language skills, qualifications in a shortage occupation as well as work experience. They are then granted the authorisation to immigrate with their families, whether or not they have a prior job offer. In the second method (demand-driven), the employer identifies and selects applicants from abroad for available jobs and requests permission to hire these persons from national authorities, which may subject the requests to certain conditions. The Swedish system provides an example of a pure demand driven system (Box 3).

Box 3. Demand-driven system: the Swedish example

One country which has opted for an open, demand-driven system, with few restrictions, is Sweden. The new labour migration system introduced in Sweden in December 2008 assumes that employers are the best placed to know whether a recruitment from abroad is justified (OECD, 2011).

The vacancies must be advertised for two weeks prior to the request to hire an immigrant, but there is no requirement that the employer interviews domestic applicants for the job. The wages and working conditions specified in the job offer must be in line with domestic standards, as is the case in most countries for recruitment from abroad. In Sweden labour unions are asked to provide an opinion on the wages offered and working conditions. The underlying assumption is that, under this set of constraints, employers will normally prefer domestic candidates, due to their language proficiency, familiarity with Swedish work practices and the cheaper associated recruitment costs.

Recruitment costs, however, are not the only economic factor at play in recruitment. Returns to moving to an OECD country are high for immigrants from a developing country and involve the benefits of a lifetime of residence, not just the immediate benefits of higher wages and better living conditions upon arrival. Some immigrants may be willing or pressured by less scrupulous employers into giving way on wages and working conditions in the short-term in return for the longer-term benefits of living in Sweden. In other words, there exist possibilities for abuse of the system.

Sweden also has a shortage occupation list but this list has little bearing on the occupations for which recruitment is allowed, as over 50% of recruitment under the new labour migration regime has been in occupations for which there are no ostensible shortages, many of them low-skilled. Administrative procedures have been put in place to ensure better identification of questionable requests and better follow-up of work contract arrangements following arrival. Verification and enforcement are costly, but they are an essential guarantee of a viable labour migration system in the face of possible abuse and an often sceptical public opinion.

Both systems have to address the problem of how employers go about identifying and screening potential candidates for employment when these are living abroad. Indeed, supply-driven systems have been implemented in OECD countries settled by migration (Australia, Canada, New Zealand), at a time when travel was much more expensive than today and recruitment from abroad for most employers an unusual or difficult process. Introducing pre-screened qualified candidates into the domestic labour market seemed a sensible way to address this difficulty, while attempting to ensure that candidates were selected also on the basis of criteria beneficial to the country rather than satisfying the narrow needs of specific employers. Demand-driven systems, on the other hand, have generally operated on the assumption that employers are able to find candidates abroad. These systems have focused on defining the conditions under which recruitment can occur and on the criteria which candidates for recruitment and jobs to be recruited for must satisfy before a worker from abroad can be admitted. This has been the predominant admission system in Europe.

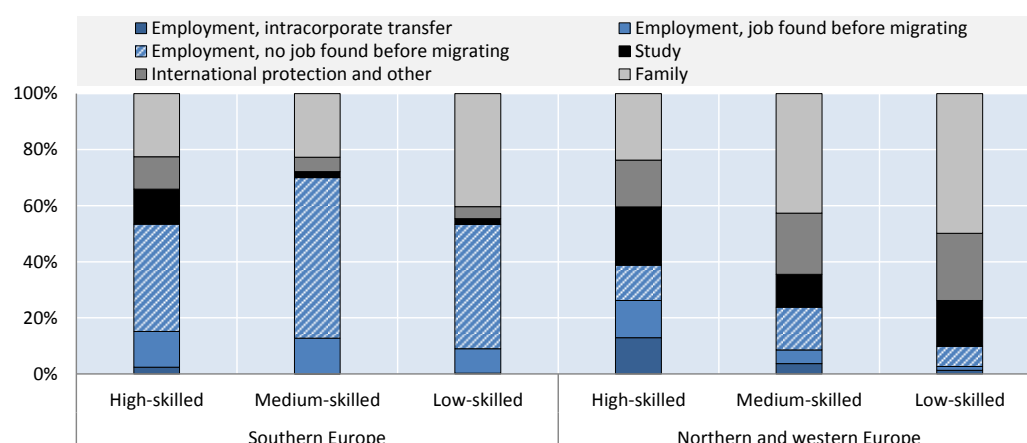
Over recent decades, both systems have been strongly tested by developments in international migration and have not always been found to be entirely adequate. Outcomes of immigrants in supply-driven systems, for example, began to deteriorate in all countries making use of this regime. Introducing pre-screened workers from abroad into the domestic market without a job offer no longer seemed sufficient to ensure good labour market integration; potential migrant workers may have had skills which appeared acceptable on paper but employers did not

attribute as much value to them as in the past. In response to this development, supply-driven systems tightened selection criteria, putting more emphasis on language proficiency and on prior contact or familiarity with the institutions of the destination country, either through having earned a qualification there, having previous work experience in the country or holding a job offer from an enterprise in the country.

Demand-driven systems, on the other hand, have been slow to adapt to the reality that most employers have little experience with hiring from abroad and few if any contacts with potential immigrant workers living in other countries. During the guest-worker era, this problem had been addressed by sending recruiters abroad and by a relatively relaxed attitude towards the granting of work permits to candidates who had arrived on their own on tourist visas and found jobs within the country. Guest-workers, however, were generally lesser skilled workers. The hiring of high-skilled workers from abroad was never viewed as problematical for employers, perhaps because in most cases it involved enterprises with a presence abroad or candidates with special qualifications whose entry governments considered culturally or economically desirable. In any event, skill needs in high-skilled jobs were not significantly in evidence until the last decade, when ageing and smaller youth cohorts started exerting their effect on the size of the labour force in a number of countries.

Recent migration experiences have served as a reminder that contacts between employers and potential candidates for employment are an essential part of the recruitment process. In southern Europe, for example, where the hiring of immigrants for lesser skilled jobs has not been restricted as it has been elsewhere and where such jobs were plentiful, the migration systems in place were initially overwhelmed by the arrival of many potential workers in search of work. Information about job opportunities had made its way to origin countries, but there were no formal recruitment channels in place to facilitate the process of job/worker matching. A similar story has emerged for highly-skilled migration in northern and western Europe over the past decade. Survey data has shown that in

Graph 4. Distribution of skill levels by reason for migrating, recent non-EU migrants, southern Europe and northern and western Europe, 2008



Source: Labour Force Surveys (Eurostat) 2008 ad-hoc module on the labour market situation of migrants and their immediate descendants.

these countries, many labour migrants in the past were actually recruited from within the country (rather than from abroad), likely in the context of tourism or family visits (Graph 4).

Despite the sizeable skill shortage recorded in many countries, relatively few enterprises are looking to recruit from abroad. The level of high-skilled migration continues to be modest in most countries, despite a liberalisation of channels for such migration almost everywhere. Recent surveys of employers in France and Germany suggest that, at most, 20% of employers with anticipated skill needs plan to recruit from abroad.

With increasing dependency ratios and debt burdens, what may appear to be a rational strategy for individual employers may be sub-optimal for the country as a whole. In addition, the effects of ageing are likely to have been masked or delayed by the impact of the economic crisis that started in 2008. Employers may be underestimating the extent of the labour and skill needs that will develop. Under these conditions labour migration systems need to consider recruitment practices and skill needs more carefully if matching immigrants to jobs is to be a viable option for addressing skill shortages and labour needs in the future.

Before considering the question of matching, the question of how labour market needs are determined should be explored, followed by a discussion on the capacity of countries with small pool of native speakers outside their

boundaries to attract immigrants with sufficient language proficiency.

Identifying skills needs to be filled by migration

Currently, skills needs are identified in many countries through an *a priori* identification of occupations for which there are considered to be shortages. Recruitment requests are facilitated or allowed for jobs in these occupations. In some cases, this does not exclude the possibility of hiring in occupations for which a test of the labour market is satisfied or for jobs which exceed a salary threshold. The objective of the shortage list or of the labour market test is generally to ensure that recruitment from abroad is allowed only for jobs for which there are no appropriate domestic/EU candidates. Sometimes, however, the requirement is waived entirely, for example for international students who have completed their studies and are able to find employment at their level of qualification within a certain time period.

There are a number of arguments for questioning the efficiency of labour market tests and shortage list as a means of identifying skills needs. The determination of whether or not an occupation is in shortage is not straightforward;² it may depend on local conditions and may be

2. The Migration Advisory Committee in the United Kingdom, which has developed an extensive methodology for the identification of shortages, considers a set of 12 statistical indicators of skill shortages but also includes consultations with sector stakeholders. See also Box 1.

subject to employer adaptation of job descriptions to fit posted requirements. Countries which have developed shortage lists often find that more immigrants enter under other labour migration channels than through this route.

In addition, outside of free mobility, there are considerably more jobs at all skill levels currently filled by migrants entering the country ostensibly for reasons other than employment (including joining or accompanying family, marriage, humanitarian, etc.). As under free mobility, such persons have no restrictions on which occupations they can enter, being subject to neither shortage lists nor to labour market tests. The distribution of occupations of migrants recruited by these two different channels does not differ substantially. Finally, results from the European labour force survey immigrant module indicate that approximately 40% of labour migrants recruited from abroad have left the country within five years and 50% of those still in the country are no longer in the job for which they were originally recruited.

In summary, the actual role played by shortage lists and labour market tests in taking into account the domestic labour market conditions may be less important than is commonly claimed. Are there alternatives to these as means of identifying labour market needs while not unduly exposing domestic workers to competitions for jobs?

Note, first of all, that in the case of occupations requiring specific skills and for jobs requiring higher education, one would expect a natural preference on the part of employers for home-trained candidates, due to their language proficiency, recognisable qualifications and their knowledge of domestic work practices. Indeed, in practically all countries, one observes lower rates of employment and higher rates of overqualification of highly educated immigrants compared to their domestic counterparts.

This preference for local workers is less evident in the case of lesser skilled jobs, where language and specific skills are less important. Indeed, employment rates of low-educated immigrants are generally higher than those of low-educated native-born persons.

A second reason why one would expect employers to favour domestic workers is that recruitment from abroad tends to be more expensive and a less accessible means of recruiting than domestic recruitment, with the possible exception of multinational enterprises that can transfer existing qualified employees from an affiliate in another country.

Thirdly, there is ample empirical evidence that labour market needs for immigrants tend to be self-regulating in that employers will not recruit if no real need exists or if they can obtain equivalent workers on the domestic labour market. The drop in labour migration, both discretionary and free-movement, during the 2008-10 global economic crisis clearly illustrates the response of employers to changes in economic conditions.

By way of further example, it is instructive that when the H-1B visa limit in the United States was raised to 195 000 around the turn of this century, this limit was never attained (indeed, never exceeded 165 000)³, despite the relatively modest fees involved, the dynamic nature of the US labour market, and the purported strong demand for high-skilled workers in the United States. Likewise, under the liberal Swedish migration regime introduced in 2008, migrant inflows have not exploded, and indeed have been far lower than expected by the Swedish authorities, despite modest fees and the possibility of recruiting lesser skilled workers.

Still, because international migration has historically shown itself to be unpredictable, both with respect to scale and to the “discovery” of channels of entry by workers in origin countries that were not always foreseen in the regulatory system, it may nonetheless be useful to consider safeguards, to avoid abuse and to further “bias” the playing field in favour of domestic candidates.

One such measure consists of introducing permit fees as a way of regulating demand (Box 4). A second type of safeguard may consist of introducing numerical limits to labour migration. This may serve as a political safety valve, to

3. The H-1B cap was raised to 195 000 for the years 2001-03, a period which coincided with the 2002-03 recession, which ostensibly reduced the demand for such visas. The point is that demand is not unlimited, even under a fairly liberal regime, and depends on economic conditions.

ensure that there is something in place to put a limit on movements. Such limits, however, can be highly controversial in countries where there is not a general consensus on migration and can lead to dysfunctions if they are set strongly below actual labour market needs.

Box 4. Active fee procedures in labour migration management

Currently, recruitment fees are charged in many countries, but mainly to cover processing costs. Fees can, however, also provide domestic-hiring incentives. In this perspective, they have to vary by permit duration (including renewals up to a maximum total duration), according to the size of the firm, by desired permit turnaround time and by level of wages, with higher fees for more highly paid workers.

Fees can be adjusted as a function of the economic cycle, being raised during a downturn when domestic unemployment rises and lowered during an economic expansion. A fee system could be limited to medium- and high-skilled jobs, by introducing a wage or salary minimum.

Such a dynamic fee system may introduce flexibility in the management of labour migration, because of its transparency and the ease with which it can be changed in response to changing conditions and circumstances. It can act as a brake on recruitment and help to ensure that it occurs only when the need is justified in economic terms and the hiring enterprise can guarantee some stability to the recruited worker.

Some experimentation and/or research is needed to determine the appropriate level of fees by skill level, duration and country.

Finally any labour migration system that relies primarily on requests from employers needs to have in place verification procedures to ensure that employers are indeed following the rules and respecting both the letter and the spirit of the system. If permit fees are introduced as one of the main regulatory instruments, it would be necessary to ensure that the fees charged are not passed on to the recruited migrant workers.

Likewise, although employers may tend naturally to favour domestic candidates for employment, this would be the case only at comparable wages and working conditions. Lower standards for immigrants could well change the preferences of employers and lead to a race to the bottom, if there is no verification procedure built into the

permit-granting process. Access to abundant cheap migrant labour, combined with tolerant attitude towards informal labour markets, may artificially maintain low productivity industries and represent costly distortions not only in terms of healthy economic competition but also of employment and economic growth.

The issue of language

The experience of recent years in many countries has shown that the liberalisation of labour migration regimes, particularly for the highly skilled, has not resulted in large increases in labour migration. One reason has to do with the question of language.

For many European countries, there exists no significant reserve of speakers of the national language outside their borders. This is a critical reality, because low or no proficiency in the national language is arguably the single most significant barrier to recruitment of immigrants from abroad by employers for medium- and high-skilled jobs.

It is significant that in the liberal Swedish labour migration regime, most labour migrants are hired by multinational corporations or by ethnic businesses, both of which have ties to workers in other countries, and for neither of which a knowledge of the national language is generally required.

International students are clearly the easiest potential immigrants to integrate, because they have obtained a qualification recognised by employers in the country, they tend to have some knowledge of the language of the country and they may have acquired some familiarity with the host-country labour market. Attracting and retaining highly-skilled foreign students is of strategic importance for the EU in the global race for talents.

One problem here is that many international students are enrolled in international programmes rather than in programmes taught in the national language, which does not necessarily prepare the student for entry into the national labour market.

Possible policies here involve incentives to encourage national language learning by international students, for example by granting

national treatment (lower or no tuition fees) for study in the national language if the latter is not an international language, or by granting a reduction in tuition fees if the student includes national-language courses in the context of a programme of study in an international language.⁴ In either case, finishing students would be better able to find work commensurate with their qualifications in the country after completion of their studies than if they looked for work with only a rudimentary knowledge of the national language.

For others (temporary workers in the country or potential immigrants in origin countries), different incentives may be needed. It is not at all obvious that a potential immigrant in an origin country will make the significant investment needed to learn a foreign language that is of limited use internationally if there is not a reasonable likelihood of a significant return on the investment. The question then is how significant the return has to be in order to elicit the level of language investment required. Clearly, the facilitation of access to permanent residency would appear as a strong incentive. Many countries already use language proficiency as a prerequisite to obtain a more settled status. The question here is, however, if the *stick* is as efficient as the *carrot*, notably for highly skilled foreign workers.

The point is that significant, visible incentives need to be introduced if potential immigrants are to develop the language skills that would make them attractive candidates for employers.

Job / worker matching

One additional essential element in recruitment is contact between the employer and the candidate for employment. It is highly unlikely that an employer will recruit someone sight unseen or without a guarantee provided by a trusted intermediary (which can be an agency, a current employee or some other source). Few employers, however, have experience with recruitment from abroad and those who have recruited immigrants have often done so from the domestic labour market. Indeed, as indicated above, many current

labour migrants in Europe appear to have been recruited in this way.

Even if the Internet makes both the worldwide posting of job vacancies by employers and the submission of applications from abroad by potential immigrants a simple matter, the formal application itself and the curriculum vitae are rarely, if ever, the main elements considered in the recruitment process. The latter may involve a test, a personal interview, an assessment by a third party, etc. If the candidate lives abroad, the employer may not necessarily fund the travel costs for a personal interview, and other methods (e.g. video-conferencing) may not be available or considered reliable or appropriate. Even if the immigrant him/herself pays the way, there is no guarantee of a hiring at the end of the day, so the costs involved may look substantial or prohibitive. For the employer, paying travel and accommodation for an applicant interview or resorting to a recruitment agency may involve significant costs which not all employers will be able or willing to cover.

How then can governments facilitate job/worker matching and interest employers in the potential of recruitment from abroad?

The first step in recruitment is the identification of potential candidates. The anonymity (to employers) of the potential migrant population as well as their lack of experience with recruitment from abroad may explain in part the low recruitment levels observed thus far in many countries. If many current labour migrants appear to have been hired from within the country, it is not necessarily clear that facilitating entry for the purpose of job search is the most appropriate way to proceed, however, because of the obvious risks involved. Some way of engaging employers in the process of identifying candidates upstream is needed.

4. The reduction in fees would clearly need to be subject to minimum level of attainment.

Box 5. The expression of interest model

The Expression of Interest (Eoi) system was introduced in New Zealand in 2003, followed by Australia in 2012 and Canada is poised to launch its own version in 2015.

Potential immigrants outside of the country are invited to “express their interest” in migrating and to provide a certain amount of verifiable information about themselves (age, education, occupation, language proficiency, etc.) and their families. Considerable numbers of potential migrants do so. The information provided is used to screen candidates who are deemed to be potential immigrants, in order to form a pool from which permanent immigrants are then selected in the second step. Potential migrants are kept in the pool for a fixed period after which they must renew their “interest” in order to remain in the pool.

The two Australasian systems are broadly similar though key differences exist: New Zealand applicants can apply both on-line and via paper forms while Australia restricts applications to its online portal Skill Select. Australia enables registered employers to access this portal and directly seek suitable migrants.

In terms of processing, under the Australian Skill Select programme, the system sorts all independent sub-class applications without any staff input while in New Zealand, candidates above a certain threshold number of points get an automatic pass, while the rest go through a second order sorting that involves a prioritisation based on criteria such as job offers. In other words, the system does not automatically continue with the sorting.

The validity of an Eoi is six months in New Zealand while in the case of Australia it is open up to two years with the option to improve the points position if circumstances change. On the other hand, the New Zealand system provides a temporary nine month Skilled Migrant Category job search visa for those who have not made the cut-off but are assessed as having potential.

To this end, it may be useful for governments and other stakeholders (employer associations, professional groups, etc.) to consider jointly constituting a pool of eligible candidates. By way of example, New Zealand and Australian authorities have developed a two-step process in their immigrant selection system, the first part of which can serve as a model (Box 5).

The essential step here is the establishment of a pool of potential immigrants, which serves as the basis for subsequent measures. The advantage of constituting such a pool is that it creates an identifiable subgroup of screened potential labour migrants, on which the efforts of employers and governments can focus thereafter. The criteria for selection into the pool following the expression of interest would be established jointly by governments and representatives of employers. Essentially, the invitation for potential immigrants to express their interest is a supply-driven process, but selection from the pool could then be driven by the demand of employers.

The expression-of-interest model would maintain some government control over the composition of labour migration, while leaving the ultimate choice to employers.

What could be done ?

- **Strike a better balance between reliance on employer demand and safeguard mechanisms**
- **Improve matching tools between employers and potential immigrants, including foreign students**
- **Promote learning of EU languages abroad and explicit language requirements in job vacancies**

Conclusion – beyond the economic crisis

The global economic crisis of 2008 and its aftermath represent a difficult period in which to assess the changes in integration and migration policies that would enable EU countries to cope with future skills needs in light of current demographic trends. The large numbers of unemployed make a discussion of labour market needs, and the role of immigrants and immigration in satisfying these, appear as neither topical nor pertinent. However, the current time enables an examination of recent experiences with integration and migration policies in EU countries in a climate that is relatively free from the immediate “pressure” for additional labour migration.

The economic crisis has had a serious impact on the economies of many EU countries, but will not make the effects of demographic ageing go away. The expected reduction in the size of the working-age population in EU countries in the decades to come is inescapable making recourse to the skills of migrants, both those who are already here and those who will be arriving in the future, an important part of the solution.

Greater intra-EU labour mobility is the first element of a response to the issue of demographic imbalances. By transferring labour and skills from regions and countries where they are less in demand to those where they are needed this intra-EU mobility makes a more efficient use of human resources possible. We have seen considerable EU mobility since the 2004 and 2007 enlargements, but the objective should be to increase mobility between all the member countries, in particular those of the Eurozone. Here language remains a significant obstacle, especially for highly skilled jobs and it is difficult to see how this can change in the short to medium term. Still the proportion of young EU citizens who speak an EU language other than that of their own country continues to expand, so that the potential for greater EU mobility seems likely to increase in the future. As important, is the enhanced use of the skills of migrants and their offspring who are already resident in a host country in the EU. In almost all

countries of the European Union, there is an underutilisation of the economic potential of immigrants, with lower employment rates and higher overqualification rates among immigrants and their children than among persons without a migration background. Recent decades have seen substantial efforts almost everywhere to reduce these gaps, and significant progress has been achieved. With an acceleration of population ageing, greater improvement will be needed. More and more efficient language teaching, a better assessment of foreign qualifications, a broader availability of bridging courses, policies to provide training and work experience – these are among the policy options which exist currently and need to be enhanced and more broadly implemented.

It is with respect to migration from third-countries that there seems a high likelihood of innovation and advance. Many countries have liberalized migration regulations for the highly-skilled but labour migration from third countries remains low outside of southern Europe, where migration has been largely for lesser skilled jobs. A closer look at the reasons for this points to a number of lessons.

The first concerns the need for a greater reliance on employer demand as a barometer of skills needs, rather than attempting to identify these through methods such as shortage lists and labour market tests, which are not necessarily effective. However, such a reliance only makes sense if accompanied by measures (e.g. permit fees) to encourage reliance, where possible, on domestic workers before resorting to foreign ones. Verification measures and safeguards are also necessary, both to guard against abuse and to provide some protection against unforeseen movements. More generally, this points to the importance of the functioning of the labour market and the need to reduce the scope of informal labour markets.

A second area of policy intervention concerns the introduction of incentives for potential immigrants to invest in learning the languages of

those EU countries which have a limited reserve of native speakers outside their borders. Currently there are too few policies in place in this area and the uncertainty in terms of employment opportunities makes the incentive insufficient to stimulate learning of certain EU languages to a level sufficient to interest employers. Only a high probability of successful immigration can lead to investments by potential immigrants in this area. Stronger incentives for attainment of high levels of proficiency need to be considered seriously in some countries. In this context attracting and retaining foreign students will be of strategic importance for the EU in the global race for talents.

Thirdly, there has been an insufficient recognition in policy that recruitment requires personal contact between employers and potential candidates, and that this represents a major barrier for many enterprises – particularly smaller ones. More efficient matching tools need to be developed to enable potential immigrants to meet with employers with unfilled job vacancies. If liberalising entry for job search by potential skilled immigrants seems one way of overcoming this handicap, it carries obvious risks. Another way of overcoming this barrier is to constitute an online pool of potential immigrants who express their interest in migrating and in so doing, provide information about themselves and their skills for examination by employers.

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