



Soft, Scarce, and Super Skills: Sourcing the Next Generation of Migrant Workers in Europe

**Elizabeth Collett and Fabian Zuleeg
European Policy Centre**



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Executive Summary

Governments around the world are searching for the most effective methods for attracting and selecting highly skilled workers. The perception of an increasingly competitive global market for talent has pushed many countries to develop immigration systems based on formal indicators of applicants' skill levels: educational qualifications, work experience, previous salary, and the occupation in which they work.

However, global integration and the pace of labor market change will make it increasingly difficult for large-scale government selection systems to identify and attract the skills their economies need most. The selection criteria that developed-country immigration systems widely use (particularly points systems and occupational “shortage lists”) fail to capture three important skill groups: soft, scarce, and super.

Many governments focus their attentions on scarce skills by creating lists of occupations for which immigration should be made easier. However, the growth of service-based economies, in which individuals are expected to adapt quickly to economic change, means that using formal professional titles to fine-tune the types of immigrants admitted are likely to be unsatisfactory.

Meanwhile, the importance of on-the-job training means that soft qualifications, such as motivation and the ability to learn, may provide more value than the formal experience and educational credentials on which government selection systems typically base their admission decisions. In the case of both scarce and soft skills, governments are likely to overlook important groups of workers if they focus exclusively on recruiting immigrants for white-collar professions — to the detriment of their economies and international competitiveness.

The selection of super-skilled individuals — those with unique talents and very high productivity — is particularly difficult. Global competition to welcome these individuals is strong, but current selection systems may fail to attract them. Policymakers serious about recruiting the super skilled will need to consider headhunting strategies and identify the super skilled *before* they have reached their full potential by encouraging inflows of international students, for example. They must also consider broader policies to make their economies more attractive to talented individuals.

Key policy recommendations to improve governments' skilled-immigrant recruitment strategies include a greater personalization of selection processes, particularly by providing incentives for significant employer input; greater sensitivity to the importance of soft skills that do not conform to formal measures of ability; a stronger focus on future potential rather than *ex post facto* need; increased efforts to attract highly skilled workers by providing competitive visa conditions; and greater clarity on the part of governments as to why certain skills are needed and why immigration is the right way to provide them.

I. Introduction

European economies increasingly perceive themselves to be engaged in a dirty war for talent, pitting their wits and policies against an invisible force drawing skilled workers to the United States, Canada, and Australia. Whether or not this view is justified, one thing is clear: the vast majority of

industrialized countries have made a clear demarcation between the type of migrant they wish to attract — the highly skilled — and the type they wish to limit or deter: low-skilled workers.

Is this the right way to define the type of migrant worker required in today's labor markets? Does a master's degree in sociology or art history offer the multinationals and the niche industries of today the critical expertise they are looking for? More importantly, how many skilled migrants are being overlooked every day because migration is regulated with planned economy approaches reminiscent of the postwar period, and not the flexible approaches increasingly adopted by human resource departments in the private sector?

Historically, workers generally have been divided into two types: manual, blue-collar unskilled labor and office-based, white-collar skilled labor. These groups significantly overlap. Some office-based work requires little skill, while some manual work requires expertise and training. However, this dichotomy has been distilled and crystallized when it comes to the immigration systems of industrialized countries.

The aim of this paper is to debunk the myth of skill levels as they are currently defined. Generally reduced to high-, semi-, medium-, vocational, trade, or low-skilled, current immigration policies are incapable of identifying the skill needs of 21st-century economies. Instead, the countries who will “win the global war for talent” will be those who engage in asymmetric warfare: offering incentives, looking beyond qualifications to find skills, and focusing on future potential rather than backwards-looking assessments of needs.

Critically, policymakers must recognize that with increasing mobility, the most desirable economic immigrants — those who can leap the various hurdles of current immigration requirements — will not simply start arriving. Rather, they need to be identified and attracted; the real power of location choice lies with the migrant, not governments.

European Union (EU) countries are slowly starting to recognize that maintaining future productivity and competitiveness is crucial to sustaining Europe's high standard of living, and that finding a solution to the impact of a rapidly aging society must be part of this calculus. However, while doomsday demographic predictions fill the headlines, few governments are looking at the changing nature — as opposed to size — of Europe's labor market requirements. This paper demonstrates that instead of the simplistic division between low and high skills, future knowledge economies will increasingly have to draw on the global labor market to meet their requirements for super, scarce, and soft skills.

Scarce skills are those skills in demand for certain particular jobs. These need not be high-level skills, but those for which there is a clear shortage in the labor market. Soft skills are the everyday skills beyond the technical expertise and knowledge required to perform a given task. They include interpersonal skills, the ability to create networks and work in teams, problem solving, research and analytical skills, time management and communication, and the ability to learn and adapt. Super skills are those held by a small number of individuals who disproportionately drive economic activity and international competitiveness. They are becoming critical to economic success in industrialized countries, as creativity and innovation become central to value creation.

While this paper will focus on the immigration policies designed to deal with economic migration, it is worth noting that workers form only one of many categories of migrants included in the immigration systems of industrialized countries.

II. Policy Approaches

Europe believes itself to have fallen behind in the race to attract the brightest and best. EU policymakers lament that Europe has far fewer high-skilled workers (1.72 percent) from other continents than other immigration countries, notably Canada (7.3 percent), Switzerland (5.3 percent), and the United States (3.2 percent),¹ and that European countries need to work together to find ways of attracting the most highly skilled. So how have these countries been attempting to attract skilled migrants to their shores?

In North America, policies for attracting the most highly skilled are not new, although this does not mean the continent is resting on its laurels. In 1967, Canada created a points system to select immigrants with high human capital considered to be more economically advantageous to the country. Reforms in 1996 and 2003 reaffirmed the importance of education credentials in gaining admission. At the subnational level, provinces such as Alberta are independently spending a great deal of money to ensure that high-skilled migrants live and work in their area; the federal government has put into place framework agreements and mechanisms to guarantee that provincial needs are recognized through national policy change.²

In Europe, policies to appeal to the highly skilled are more recent, but in the past year alone, several measures designed to attract both highly skilled workers and those with skills in short supply can be identified. These changes have taken place alongside a year-long effort, the so-called Blue Card system, to create a common EU policy for the entry and residence of highly skilled non-EU citizens, known as third-country nationals. The scheme, once implemented, would offer Blue Card workers enhanced rights and legal status across the 27 Member States. It is based on the rationale that European countries can attract skilled workers more effectively by working together rather than individually.

Some countries have attempted individual large-scale reforms, with varying degrees of success. Germany's Green Card initiative, introduced in 2000, offered preferential treatment to those who reached a certain education or salary level, yet it did not attract the hoped-for numbers of engineers and IT experts. Language, lack of a warm welcome, and restricted career prospects were all seen to contribute to the relatively low numbers of applicants. Germany discontinued the Green Card initiative in 2003. The Immigration Act of 2005 replaced the system with a more streamlined process, offering high-skilled workers permanent residence from the outset in an effort to encourage them to work in the country.³

¹ European Commission, "Attractive Conditions for the Admission and Residence of Highly Qualified Immigrants" (European Commission Memo 423, October 23, 2007).

² Canadian Mission to the European Union, email message to author, September 5, 2008; Citizenship and Immigration Canada, *Annual Report to Parliament on Immigration, 2005* (Ottawa: Citizenship and Immigration Canada, 2005). <http://www.cic.gc.ca/english/resources/publications/annual-report2005/section2.asp>.

³ Federal Ministry of the Interior, Germany, The Immigration Act, www.zuwanderung.de/cln_115/nn_1070222/EN/ImmigrationToday/TheImmigrationAct/theImmigrationAct_node.html?_nnn=true.

In France, President Nicolas Sarkozy (previously the minister in charge of immigration policy) has introduced a scheme of “selected immigration” with an explicit focus on limiting family migration while welcoming those with skills in particular areas. Based on sectoral and geographical recruitment needs, those selected for their skills and talent are offered three-year visas and preferential treatment regarding integration requirements.

The UK government recently overhauled the country’s immigration system to improve its ability to select high-skilled immigrants. Traditionally, the combination of language advantage, the existence of a number of leading sectors, such as finance and technology, high demand from the public sector (especially the National Health Service), and a fairly relaxed employer-led scheme⁴ meant that the United Kingdom welcomed the largest number of university-educated migrants in the European states that belong to the Organization for Economic Cooperation and Development (OECD). However the United Kingdom has also lost a great number of its own highly skilled, not least to other English-speaking countries, such as the United States and Australia.

In 2007, the UK government unveiled a tiered system of entry, replacing the myriad methods of entering the country. Tier 1 offers entry on a two-year permit to look for work to those who accumulate the requisite points according to education, salary, age, and language proficiency. This system runs in combination with a revised version of the previous work-permit system (now Tier 2), which offers work permits for jobs in sectors with identified shortages.

Beyond this, a number of countries have moved from merely lifting restrictions for certain worker categories to offering increasingly innovative incentives to entice the most talented to their shores. Some countries have instituted tax deductions and flat tax rates for foreign specialists. For example, in Denmark, some foreigners may be taxed at a flat rate of 25 percent instead of rates of 39 to 59 percent.⁵ Other countries, such as Sweden, the Netherlands, Belgium, Norway, and France, have followed suit.⁶

Such policies need to be put in the context of European free movement, which reduces Member States’ control over high- and low-skilled migration of EU citizens across their borders. Immigration policies in European countries differ from those in North America insofar as they do not count the movements of EU citizens. In 2002, over half of those EU-15 citizens (citizens of the 15 countries which were EU Member States before the 2004 EU enlargement) actively mobile⁷ in another EU-15 country were university-educated.⁸ This figure suggests that EU countries have another, less explicit highly skilled migration system in place.

⁴ A scheme in which employers select immigrants directly then seek visa authorization from government on a case-by-case basis.

⁵ CESifo, “International Recruitment of the Highly Skilled,” *The DICE Report*, February 2005, www.cesifo-group.de/pls/guestci/download/CESifo%20DICE%20Report%202005/CESifo%20DICE%20Report%202/2005/dice-report205-dbl.pdf.

⁶ Organization for Economic Cooperation and Development, *International Mobility of the Highly Skilled* (Paris: Organization for Economic Cooperation and Development, 2002), www.oecd.org/dataoecd/9/20/1950028.pdf.

⁷ Actively mobile is defined as employed, between the ages of 15 and 64, and resident less than five years in another country.

⁸ European Commission, *Employment in Europe 2006* (Brussels: European Commission, 2006).

III. How Is Skill Defined?

Clearly, Europe and North America are rapidly arming themselves with new policies. But how do they define talent? Despite a wide range of “brands” adopted, from green cards to points systems,⁹ European countries have constructed policies that share certain elements. Three main strands can be drawn out: education level, salary level, and identified shortage.

Education

Qualifications are central to defining skill levels. Given the importance employers place on university degrees and professional accreditations, it is unsurprising that governments also rate them highly. Almost all schemes require some demonstration of acquired skill, though in some cases years of experience in a particular sector serve as a proxy.

However, while all countries see tertiary education as key, European countries differ greatly as to how and which qualifications are recognized. Thus, while one country might recognize a particular engineering qualification from Morocco, another might not. For potential high-skilled workers to Europe, their qualifications become of variable value in the immigration process. Recognition “roulette” has been painstakingly resolved within Europe through the Bologna Process — a system of qualification recognition that includes a number of non-EU countries. However, for nationals outside of this system and those with less recognizable skills, the nonrecognition of credentials is a potential barrier to entry.

Salary

The second commonality between immigration systems is the use of salary levels. Not all countries apply this criterion, and some use it interchangeably with the acuteness of shortage. Denmark has relaxed the criteria for its job-card scheme for skilled workers in a number of listed sectors, but it has relaxed the criteria still further for those workers paid more than 375,000 Danish kroner (50,300 euros) who may enter the country for work, regardless of sector.¹⁰

Other countries use salary as a threshold and typically do so for two reasons: to ensure that employers offer a fair wage for the work and to encourage employers to look first for local candidates by raising the cost of hiring an immigrant. This is a market regulation strategy to guarantee that heightened demand in a particular sector leads to salary level increases, not just a rise in immigration. In other words, the salary threshold acts as a “tariff” on importing immigrants. Some countries, such as Germany, set the threshold artificially high. Germany’s scheme for IT workers set a minimum salary level of 51,000 euros, far above market wage, in 2000. As a result, despite the 20,000-visa quota, fewer than 15,000 visas were issued during the first three years of the program.¹¹

⁹ Demetrios G. Papademetriou, Will Somerville, and Hiroyuki Tanaka, “Hybrid Immigrant Selection Systems: The Next Generation of Economic Migration Schemes” in *Talent, Competitiveness & Migration* (Gütersloh: Bertelsmann Stiftung, 2009).

¹⁰ Organization for Economic Cooperation and Development, *International Migration Outlook 2008* (Paris: OECD, 2008).

¹¹ Focus Migration, *The German Green Card*, Policy Brief No. 3, November 2005.

Salary thresholds can, in theory, be used to control the number of immigrant arrivals. In practice, however, it can be difficult to choose the right threshold, given the large number of factors that influence employer demand and wages. Too high a threshold will essentially prohibit immigration, while too low a threshold is unlikely to have any real impact.

Shortages

A third commonality is sectoral shortages. Many countries in Europe maintain shortage lists to tailor channels for immigration. Immigration is made easier in shortage occupations in a number of ways: waiving certain criteria for entry (Ireland); providing privileged access to certain types of residences or working visas (Czech Republic); or speeding up the administrative process (Lithuania). In some cases, labor-market access is only available for shortage occupations in exceptional circumstances (France).¹² In many points systems, having qualifications in a shortage occupation earns additional points.

Shortage lists vary in how often they are updated and in analytical sophistication. One of the most recent and high-profile lists is the one produced by the Migration Advisory Committee (MAC) in the United Kingdom; MAC works with a range of stakeholders and meets on a quarterly basis to identify sector shortages for Tier 2 migrants (as part of the five-tiered hybrid system of economic migration). Its first recommendations were published in September 2008 and it is currently reviewing a number of other occupations which have been highlighted by MAC itself or the government for March 2009.¹³ The press ridiculed the list's content for including ballet dancers and sheep shearers. However, skilled chefs and quantity surveyors were also on the list.¹⁴ Other lists are more prosaic. The Australian Migration Occupations in Demand List, which focuses on managerial staff, professions, and skilled trades, is based on existing and emerging skill shortages and is reviewed twice a year by the Department of Education, Employment, and Workplace Relations.¹⁵

IV. Looking in the Wrong Places?

As we can see, the alchemy involved in creating a successful policy to select the highly skilled is complex and often mysterious. But governments are missing a fundamental opportunity in focusing narrowly on the traditional workplace dichotomy between blue- and white-collar workers. Governments cannot easily anticipate the skills their countries need in an increasingly complex globalized economy. There is a mismatch between a planned-economy approach to managing immigration and the global market in which Europe finds itself.

Current immigration policies typically sort migrants according to admissions category, which often masks skill levels and consequent workforce value. Refugees and their family members, for example, often possess useful skills — both within and outside of the knowledge economy — yet

¹² OECD, *International Migration Outlook 2008*.

¹³ The UK Border Agency, Migration Advisory Committee, <http://www.ukba.homeoffice.gov.uk/aboutus/workingwithus/indbodies/mac/>

¹⁴ See UK Home Office, *Skilled, Shortage, Sensible: The Recommended Shortage Occupation Lists for the UK and Scotland* (London: Home Office, September 2008), www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/uklist.

¹⁵ See Australian Department of Immigration and Citizenship, "Is Your Occupation in Demand?" www.immi.gov.au/skilled/general-skilled-migration/skilled-occupations/occupations-in-demand.htm.

governments do not focus on this. In many European countries, these immigrants' right to work is restricted, leading to a waste of talent and significant additional strain on welfare systems.

Given the poor correlation between job type and education,¹⁶ there is a question as to why governments continue to pursue policies focused on such a narrowly defined concept of skill.

V. Why Do Countries Focus on the Highly Skilled?

Immigration is a contentious and difficult topic for politicians to discuss. In 2008 alone, several European elections were fought over the issue of immigration, and polls consistently list it as a central concern for voters. In Italy and Austria, to name but two examples, fear concerning the scale and type of recent immigration led to significant gains for far-right anti-immigration parties. These political successes have pushed less extreme parties in other EU countries to take a tough position on immigration. Across the Atlantic, both candidates in the 2008 US presidential election avoided an in-depth debate over immigration reform, a much-debated issue that stalled in Congress in 2007.

In the United States, high- and low-skilled immigration flows are typically considered separately. Politicians and voters alike are split on the social and economic value of low-skilled migration from Latin America, as well as the high levels of illegal immigration that many view as compromising the system's integrity. However, the discussion of highly skilled workers is almost entirely segregated from this debate. Technology CEOs can lobby in Washington, DC, for raising quotas on H-1B temporary employment visas for the highly skilled without having to address the issue of overall numbers, legality, or economic benefit.

In Europe, the dichotomy is less clear. While illegal migration is a key issue and a driving factor for EU external-border policies, the debate often becomes muddled with concerns about EU citizens (many of whom are highly skilled) using their right to free movement to take up jobs in other Member States. This conversation blurs, in turn, with the debate over how many national workers migrants are displacing. In this context, politicians have become very explicit about the type of migration they do and do not want in Europe. The immigration pact agreed to during the October 2008 European Union summit made it clear that the 27 Member States wish to select those skills they need and place limits on other types of migration. While some Member States objected to the term *immigration choisie* ("selected immigration"), the term merely makes explicit a policy formulation that has developed in many European systems.¹⁷

Despite the differences in political context, European policymakers have joined their US counterparts by addressing high- and low-skilled immigration separately. Immigration may be a political minefield, but the war for talent has found its place in the rhetoric of political parties, alongside "competitiveness" and the "new economy." It is far less contentious for governments to advocate skilled migration than any other type, as long as governments can argue convincingly that their numbers will be small and their impact on the local labor market negligible.

¹⁶ Organization for Economic Cooperation and Development, "Matching Educational Background and Employment: A Challenge for Immigrants in Host Countries," *SourceOECD Emerging Economies* 2007, no. 9: 156-196.

¹⁷ Elizabeth Collett, *The EU Immigration Pact: From Hague to Stockholm via Paris* (Brussels: European Policy Center, October 2008), www.epc.eu/TEWN/pdf/304970248_EU%20Immigration%20Pact.pdf.

Politicians can openly support highly skilled migration for a number of reasons. First, they provide clear economic benefits: they pay more taxes and spend more cash, effectively subsidizing the rest of the population. They are less likely to be out of work or use social security systems. The skills educated migrants bring with them are also capable of contributing to future growth, whether through innovation and research or entrepreneurship and building businesses.

Second, highly skilled migrants raise fewer concerns about the impact on native workers. When unemployment is high, the rationale for importing even more labor seems flawed, as immigrants are perceived to replace native workers. However, at the top end of the labor market, candidates from the economically inactive pool are less likely to have the right background or skills to fill an empty position. Skills training would be required — a long-term process — whereas unskilled jobs can be filled immediately, at least in theory.

Third, highly skilled migrants are thought to integrate into the labor market more easily than the low skilled. Along the same lines, the public and policymakers perceive them as less likely to require welfare services and less likely to threaten social cohesion. Indeed, integration policies rarely target the high-skilled community.

In political terms, therefore, explaining why a country needs highly skilled migrants, particularly in sectors such as health, education, and engineering, is relatively easy. When this argument is placed in the context of a battle against other countries, the job becomes even easier. The idea that “if we don’t take them, someone else will” raises competitive instincts even in the most reluctant voter. Politically, this concept seems obvious, yet few governments seem to practice it well. How can they get better?

VI. The New Global Knowledge Economy

Identifying Skill Needs

Trying to identify what high skills a country might need at any given point is a difficult process. Making lists of in-demand occupations consume time and resources, and they are often outdated by the time they are implemented. Labor markets may shift quickly, particularly if the economic outlook is unstable. While every country needed IT workers a decade ago, the United Kingdom has removed IT expertise from its own assessment of the country’s needs.¹⁸ Foreign construction workers were welcomed with open arms in Spain and Ireland just four years ago, but now hundreds of skilled foreign builders are unemployed.¹⁹

Many actors affect the supply and demand for skills. Most directly, employers, particularly multinationals, may have a greater demand for skills as their businesses expand. However, they are not alone. The public sector in Europe influences demand in many industries because a relatively high proportion of the population is employed in public services. On the supply side, policymakers use education policy to shape the skills the country’s schools and universities produce while welfare

¹⁸ UK Migration Advisory Committee, *Skilled Shortage Sensible: The Recommended Shortage Occupation Lists for the UK and Scotland* (London: UK Home Office, September 2008).

¹⁹ European Working Conditions Observatory, *Economic Downturn Impacts Most on Migrant Workers* (Dublin: Eurofound, October 2008).

policy decisions have a crucial influence on the motivations and abilities of the unemployed to enter the labor market. Meanwhile, employers and multinationals have a more direct

New immigrants consume products and services, creating demand and new job growth. For example, immigrants often constitute a significant part of demand for education and child-care services, specialist retail services (including those featuring products from their homeland), telecommunications, and travel. Entrepreneurial immigrants open new businesses, employing more workers. Many bring new skills, expertise, and even capital.²⁰ They also bring their families, thereby increasing consumption as well as the labor supply. Since immigrants themselves impact the demand for labor, they may also affect the “demand” for further immigration.

This complex set of factors means that skills forecasting is an art, not a science. It must take into account changing circumstances and both the supply and demand for skills in the future. Skills forecasting must go far beyond projections of in- (and out-) migration flows. It is in essence a labor-market forecast, trying to model the future economy. Most economists are very reluctant to give these calculations much credence.

Rapid change characterizes modern economies, and this speed makes a central-planning approach virtually impossible. Occupations and skills currently in demand might not be in demand in a few months. Often, it takes significant time for both companies and individuals to navigate the immigration system, by which time the particular skill on offer might no longer be needed.

Labor markets are also changing quickly. They require increasing mobility from individuals, who are expected to change jobs frequently to adapt to labor-market conditions, and even to switch careers if their skills become obsolete. European economies are dependent on services (around 70 percent of GDP according to the European Commission), where many jobs are not easily categorized as a specific profession or trade.²¹ A system designed around job titles and professions, therefore, would be difficult to apply in today’s service economy.

Modern services jobs also require significant on-the-job training. Specific knowledge, as certified by a particular qualification, is becoming less important than the ability to learn and adapt. Workers need to adapt high-level skills to specific legal and market conditions. For example, there is little economic added value if a country imports tax lawyers or management consultants who cannot adjust to country-specific conditions or whose experience local employers do not recognize. The importance of on-the-job training, therefore, means that broad categories of experience and formal qualifications are increasingly unlikely to be an effective tool to identify the most productive workers.

Indeed, under- and unemployed highly skilled immigrants cost money. The importance of on-the-job training, therefore, means that broad categories of experience and formal qualifications are increasingly unlikely to be an effective government tool to identify the most productive workers.

²⁰ See for example, Max Nathan, *Your Place or Mine? The local economics of migration*, (London: Institute for Public Policy Research, September 2008)

²¹ European Commission, Single Market, A Single market for Services, http://ec.europa.eu/internal_market/top_layer/index_19_en.htm

Skilled Migration on a Global Scale

In the knowledge economy, skilled workers are both footloose and rare. Retaining human capital is important, but not everyone in the knowledge economy will be equally involved in high value-added activity. Rather, a small group of individuals — the super skilled — can generate very high economic return within a global marketplace, in turn creating jobs in the service industry.

With global economic integration, the question whether a job can be outsourced may well matter more than whether it requires a high level of skills and/or education. For example, while software programmers are undoubtedly highly skilled, many large companies in North America and Europe have outsourced some of this work to India. In contrast, retail and hospitality services are bound to particular locations.

A profound change has taken place. The global marketplace for certain skills means that instead of having governments filter a selection of migrants through its gates, much of the power has shifted to the employer or to the individual migrant. “In-demand” migrants are the ones making a location choice, basing their decision on a broad range of factors, including wage levels, immigration entry conditions, cultural and linguistic links, and quality of life. A system that does not consider these factors might well find itself ending up with very little demand for entry from those it is trying to attract.

Finally, there are, of course, ethical dimensions to recruiting scarce health-care workers from countries that can often ill afford to lose them — and most favored-occupation lists contain doctors and nurses. But it should also be understood that high global demand for these migrants is not likely to ease even if countries choose not to place health professionals in sector-shortage lists.

So what kinds of people do the developed economies need to attract in future, and how can they attract them?

VII. A Brave New World: Scarce, Soft, and Super Skills

This paper identifies three key skills for developed economies — scarce, soft, and super skills — and recommends a differentiated approach for attracting each. These categories are not mutually exclusive. Individuals with all three types will be the most prized, but some key features can be separated out.

Scarce Skills

Many countries already target scarce skills. In general, however, destination countries have focused mainly on scarce high-level skills; only in limited circumstances have lower levels of skills been identified, for example in the field of hospitality (cooks) or in building trades.²²

The health sector illustrates that certain skills are increasingly scarce on a global scale rather than just as gaps in the local labor market. It also highlights the potential impact of highly skilled migration on

²² As in the recent UK assessment of skills by the United Kingdom’s Migration Advisory Committee.

the country of origin, with the so-called brain drain phenomenon affecting many developing countries around the world as well as the lower-income countries within the European Union.²³

But governments should not only focus on scarce high-level skills. Scarcity imposes a cost on the economy, whatever the level of skills involved. Health systems do not only need doctors, nurses, and the most highly trained professionals. They also need ambulance drivers and cafeteria assistants, not to mention nurses' aides and lab technicians. The labor market has more lower-skilled health-related jobs, and yet the required expertise is in short supply.

It is often argued that unemployed people already living in the country can fill such lower-level jobs. But this view ignores two crucial factors. First, many of these jobs do require skills, some hard, some soft (discussed below). The level and fit of skills in the existing inactive population might not be appropriate to fill vacancies. Second, migrants likely are the only ones willing to take on many of these jobs, either because wages are low or because the working conditions are considered onerous (so-called three-D jobs: dirty, dangerous, and difficult). These jobs might also require relocation or might conflict with longer-term career aspirations.

Political rhetoric will not change this reality. The argument that wages should rise in unattractive occupations is unrealistic in sectors with economic and budgetary constraints. Increasing wages would not lead to a better functioning labor market but would likely result in fewer jobs and a larger shadow economy, both in terms of illegal work and illegal immigration. This is especially true in care occupations and personal services, where informal working can easily be hidden.

These skills gaps directly reduce economic growth by holding back the supply of goods and services. In addition, many immigrant-provided services, such as child care, have a direct impact on the quality of life and the labor-market participation of other groups in society, particularly women, who might otherwise underuse their skills.

Recruiting Scarce Skills

Recruiting globally scarce talent requires a new approach. Simply exempting individuals from onerous immigration requirements will not suffice. Also, many work visas limit the visa holder's ability to access skills and training available to nationals, while other public services may not be available in the initial stages.

To attract the right skills, governments will need to develop incentive packages that provide more than just the opportunity to work in the immigrant's chosen profession. Incentive packages will have to consider individuals' wider life circumstances, including long-term career prospects, employment opportunities for spouses, schools for children, care for (and potentially reunion with) old and young dependents, as well as the overall quality of life. In short, incentives for immigration need to be factored into other policy-making areas. Immigration authorities have to work closely with immigrant-receiving sectors to determine what incentives are both attractive and available, in order

²³ The ethical dimension, but also simple economic expediency, entails that much closer relationships are developed between the country of origin and the destination country. This can involve joint funding and common standards in education, arrangements for those who want to return after a spell (for example, in terms of portability of social security and pension contributions), agreed and temporary exchanges, and even the prefinancing of an oversupply of certain skills in the origin country.

to be able to make competitive offers, and to ensure that scarce workers have incentives to continue working in the sector after they arrive.

Finally, since scarce skills are not the exclusive preserve of white-collar workers, governments must seriously consider how to effectively recruit scarce low-skilled workers. For many of these jobs, it is also crucial to move beyond a traditional understanding of skills. Interpersonal skills, for example, are critical among workers who care for the elderly. These soft skills are considered in the next section.

Soft Skills

Global corporations already recognize the crucial importance of soft skills as they hunt for talent worldwide.²⁴ While technical skills and professional qualifications are important, translating proficiency into economic output requires soft skills, which, as outlined earlier, include problem solving and ability to work in a team. In certain occupations, such as personal services and marketing, success is essentially driven entirely by soft skills, despite attempts to create “hard” qualifications to capture them.

Soft skills share one characteristic: there is no agreed-upon way of measuring or certifying proficiency in them. Most companies rely on proxy measures (e.g., previous experience, hobbies, interests, or charity work) and personalized assessment (e.g., interviewing and recruitment centers or even psychological tests). A key aspect for interview selection is often the cover letter or a required essay on the motivation for applying — and motivation is yet another soft skill. Since lifelong learning is essential for success in modern knowledge-based companies, many firms also try to identify individuals who have a strong ability to acquire soft and hard skills — a critical soft skill itself since it enables individuals to respond to changing situations. Finally, many companies rely on initial trial periods to test an individual’s compatibility with the company.

The increasing reliance on soft skills makes it difficult to decide whether a job is high- or low-skilled. Many jobs in the care sector require high interpersonal skills but relatively low qualifications. Wage levels are only an imperfect guide as interpersonal skills are not necessarily rewarded.

In this context, it should be clear that most current high-skilled immigration systems, which set standards for education and salary levels, are very imperfect filters for identifying soft skills. Points systems do try to capture some of soft skills through proxies like previous employment history, but this only measures a small subset of soft skills. In general, points systems emphasize hard technical skills.

Recruiting Soft Skills

Introducing a higher degree of soft skills into immigration systems is difficult since reliable data on soft skills are hard to come by, given their difficult-to-quantify nature. At the very least, immigration authorities will need to make more of an effort to identify them. Also, immigration services will have to become more personalized and more specific to individual potential. Yet one-on-one interviews, standard in the private sector, would not work for reasons beyond the fact that interviewing is very

²⁴ See Corporate Research Forum and Performance and Reward Center, *The Role of the Board in Creating a High-Performance Business* (UK: Corporate Research Forum, November 2005).

resource intensive. First, interviewing poses an ethical dilemma: can potential immigrants be denied because of a perceived lack of interpersonal skills or because they failed to impress during an interview? Such a system would lack transparency and remain vulnerable to charges of discrimination. Second, different jobs require different soft skills, and only employers are likely to have a full understanding of their own requirements.

These obstacles do not mean governments should ignore the question of soft skills. Recruiting highly skilled individuals is a *process*, not an *event*. European governments need to make greater investments into their formal recruitment systems as a whole, so that such agencies and employers understand the many routes to identifying individuals with both soft and hard skills. In certain circumstances, the government could offer incentives to attract the right soft skills through, for example, rewards to recruitment agencies.

Governments could also give employers a greater role in immigrant selection. Most European countries already allow employers to hire individuals from outside the European Union but do not make the process easy. Multinationals have to navigate different sets of rules and paperwork in each country of operation, increasing human resource costs. In Belgium, for example, employers must carefully draft their job description and salary to ensure their desired candidate falls into the right category. In other countries, administrative delays mean that candidates may wait months before they can take up a job already offered. The Swedish government has made its employer-driven system faster and less bureaucratic, and Canada has made changes to its temporary visa program to give employers more say.²⁵

How can governments encourage employers to invest more in the recruitment process? On the one hand, companies might invest more in selecting individuals with good soft skills if immigrant workers were tied to their employer for at least a minimum period of time. On the other hand, binding individuals to a particular employer also removes one of the key benefits of having immigrants with high levels of soft skills: their ability to adapt to new market realities and conditions, and going where they are most needed, not where they have been “assigned.” Tying workers to one employer also makes them vulnerable to exploitation.

These issues are part of a much larger debate concerning public- and private-sector roles. However, as far as soft skills are concerned, the private sector currently has expertise that government needs to tap.

Providing the right incentives and proactively investing in recruitment is even more important for the relatively small number of people around the world who can have a very large impact on the economic and social fabric of the society they enter: the super skilled.

Super Skills

With a global competition for talent and economies in developed countries increasingly based on skills and knowledge, a relatively small number of individuals are becoming more and more important to economic success. These individuals, referred to here as the super skilled,

²⁵ Swedish Migration Board. *New Rules for Labor Immigration*. Stockholm: Swedish Migration Board, December 15, 2008; presentation by Canadian official, unpublished, 23 October 2008.

disproportionately drive economic activity, value creation, and international competitiveness; they also consume a high level of goods and services.²⁶

Counting the number of super-skilled individuals is virtually impossible. However, many countries have already recognized that certain categories of migrants have high economic potential and should be treated accordingly. Some offer differential tax rates to very high-income individuals or fast-tracked citizenship for those with a high level of capital investment. Some systems also have special conditions for entrepreneurs if they are willing to start a company in their new country, such as Australia's business skills visa for entrepreneurs who intend to start a new business or invest in an existing business. Superstars have long had a special status, and many have been attracted by these special conditions: Austrian-born skiing star Marc Girardelli became a citizen of Luxembourg; Canadian-born tennis player Greg Rusedski plays for the United Kingdom. On a larger scale, the contribution of immigrants, particularly Indian, to the innovative industry creation in Silicon Valley has been well documented.

The recognition that super skills deserve special treatment has been most firmly anchored in the fields of science and higher education. Most countries have programs to attract researchers, and many offer a fast track to citizenship. The United States heads the pack. A telling example is the Nobel Prize for economics — 60 percent of the roll call is American, but nearly one-third of these Americans were born outside the United States.²⁷ In addition, active programs to recruit postgraduate researchers with high future potential demonstrate how efforts to attract talent have extended to the next generation of potentially super-skilled workers.

Recruiting the Super Skilled

In the future, the need to identify and attract super-skilled individuals will become increasingly important to global competitiveness. While one might debate the extent to which a global competition really exists for many of the soft and scarce skills discussed, the recruitment of super-skilled individuals can appropriately be described in these terms. The super skilled do not have to prove their credentials, and they are likely to have a range of location choices at their fingertips. Attracting these individuals, therefore, also is likely to become more competitive. English-speaking countries have a natural advantage in this global competition. Non-English-speaking countries are likely to have to offer more if they are to overcome this disadvantage.

Given the fierce competition for the super skilled, much effort will go into identifying these individuals early on, or, if they come from countries where their professional potential is limited, to identify those who might have the right skill set. This is very difficult and the outcomes are uncertain: governments run the risk that many of these might never reach the level of economic impact projected and desired. Governments will also need to consider how to measure these economic impacts and the associated risks and uncertainties. It might also mean providing additional support such as venture capital.

²⁶ See for example, Richard Florida's thoughts on the power of the "creative class": Richard Florida, *The Rise of the Creative Class* (New York: Basic Books, 2002).

²⁷ James P. Smith and Barry Edmonston, eds., *The New Americans: Demographic and Economic Impacts of Immigration* (Washington DC: National Research Council, 1997).

Points-based systems are not well suited to recruiting super-skilled individuals. First, they may miss many high-potential individuals, if they lack recognized qualifications, or are above an age threshold. Second, accumulating points is unlikely to be an attractive proposition for outstanding people who want to migrate and may have many options open to them. Third, current systems rely on those who have already revealed their high economic value rather than identifying those with high potential. Often, potential can only become realized after people move.

Again, a more personalized immigration system might be the answer. Here, international student regimes will be crucial. Identifying and then educating high-potential individuals is a long-term strategy with a high yield.

More incentives are also required to compete effectively on the global scale for the current and next generation of the super skilled, beyond those articulated above. Opportunity to realize their potential and to develop new expertise attracts the super skilled. Research parks or technology clusters — from the Silicon Fens in Cambridgeshire to the biotech cluster in Boston — play a role in attracting ambitious individuals who wish to work in the most prestigious locations.²⁸ The European Union already has spent much time discussing how to create centers of excellence across Europe to achieve just this goal.

Others wish to work in a business environment that fosters entrepreneurial spirit. While the United States embraces risk, Europe traditionally has been more cautious. If governments truly want to attract the next generation of geniuses, they need to look more closely at the conditions for growth outside of immigration regimes, whether in academic excellence or business openness.

VIII. Implications and Recommendations

The above discussion demonstrates the difficulties of selecting, attracting, and planning to find the necessary skills mix for the future; it also demonstrates that the current static systems are unlikely to succeed.

With a global hunt for talent, in which policymakers perceive a fierce competition for soft, scarce, and super skills, migration systems will need personalized selection and strong incentives. At the core of these ideas is using various approaches to address different needs and types of skills, three of which we have focused on here.

Some key elements can be identified for policymakers:

- *Clarity:* To convince a skeptical electorate and tailor migration to future needs, governments must be clear about why certain skills are required and what this implies. Super, scarce, and soft skills all require different approaches and have different implications for labor-market policy.
- *Improved recognition and use of talent:* While existing systems need to improve their ability to recognize qualifications, policymakers should also look to current human resources practices and new management thinking to reconsider how they recognize talent. Flexible and

²⁸ Sami Mahroum, “Highly Skilled Globetrotters: the International Migration of Human Capital, Institute of Prospective Technological Studies,” *R&D Management* 30, no. 1 (2000): 23-32.

individual assessments of talent, rather than pigeonholing according to inflexible and dated criteria, are essential.

- *National/EU-wide skills auditing:* Governments need to take stock of existing potential more accurately, including seeking out potential within the migrant population. They should consider the labor market as a whole (including mobility) rather than treating migration as a separate factor.
- *Integration outcomes:* Integration strategies should be about maximizing potential, not just reducing social conflict. As such, integration policies should be targeted at all with an emphasis on skills recognition, training, education, and language learning.
- *Research and classification:* What are soft skills and what is talent? Improved understanding of these concepts is needed, as well as a long-term perspective on what Europe and North America will need in terms of skill.
- *Competitive advantage:* Countries need to recognize their competitive advantage. For example, the United States benefits from large amounts of commercial funding, but European countries also have much to offer, such as strong social welfare systems and government-funded programs. Investment in these competitive advantages, as well as the broader investment in recruitment, research, and entrepreneurial ventures, will make each individual country more attractive according to its strengths, potentially reducing direct competition.

There is a broader lesson to be learned as well. In the future, many “skilled” labor markets will be truly global. Migration policy is thus not about the dams governments try to erect against a tide of migrants. Economic competitiveness will depend on how policymakers think of current and future migrants in the context of their country’s human capital, skills, and labor-market policies, rather than as an external add-on that must be constrained.

IX. About the Authors

Elizabeth Collett is a Policy Analyst at the European Policy Centre (EPC), an independent Brussels-based policy think tank that is policy partner with the Transatlantic Council on Migration. Ms. Collett coordinates the Migration and Integration Forum at the EPC, run in collaboration with the King Baudouin Foundation. Previously, she worked for the International Organization for Migration in Geneva and for the Institute for the Study of International Migration in Washington, DC.

Her publications include *Legal Review on Trafficking in Persons in the Caribbean* (IOM, 2005); *One Size Fits All? The Need for Tailored Integration Policies for Migrants in the European Union* (EPC, 2006); and *Making Migration Work: the Role of Employers in Migrant Integration* (with Karolina Sitek, EPC, 2008). She has contributed chapters to a number of publications including *Managing Migration in Ireland: An Economic and Social Analysis* (IOM, 2006); *Rethinking Immigration and Integration: A New Centre-Left Agenda* (Policy Network 2007); and *Think Global, Act European* (Notre Europe, 2008).

Ms. Collett has also written articles for *Challenge Europe* and *International Migration*. She has a law degree from Oxford University and a master's degree in foreign service from Georgetown University.

Fabian Zuleeg is a Senior Policy Analyst at the European Policy Centre (EPC) in Brussels. He is coordinator of the program on Europe's political economy. His work at the EPC includes activities on European economic policy, especially the sustainability of Europe's social models, innovation, lifestyle risks, better regulation, energy, the EU budget review, the single market, economic governance, and competitiveness.

Dr. Zuleeg holds a master's degree in economics and international relations, a master's in economics, and a PhD on the political economy of EU accession from Edinburgh University.

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