

Skill-based immigration, economic integration, and economic performance

Benefiting from highly skilled immigrants requires a complementary mix of immigrant selection and economic integration policies

Keywords: immigrant selection, immigration policy, economic outcomes, demand-driven policy, supply-driven policy, point system

ELEVATOR PITCH

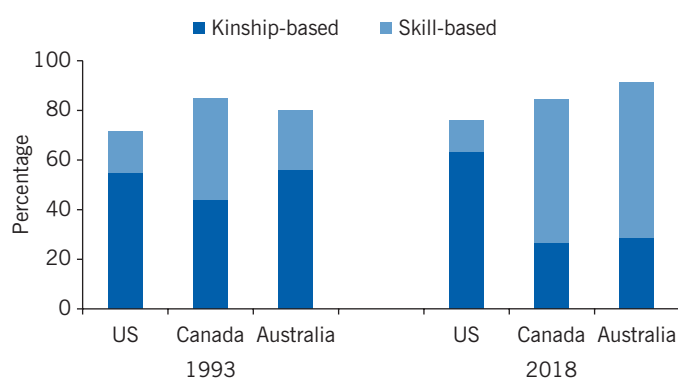
There is increasing global competition for high-skilled immigrants, as countries intensify efforts to attract a larger share of the world's talent pool. In this environment, high-skill immigrants are becoming increasingly selective in their choices between alternative destinations. Studies for major immigrant-receiving countries that provide evidence on the comparative economic performance of immigrant classes (skill-, kinship-, and humanitarian-based) show that skill-based immigrants perform better in the labor market. However, there are serious challenges to their economic integration, which highlights a need for complementary immigration and integration policies.

KEY FINDINGS

Pros

- + Skill-based selection of immigrants responds to the needs of the economy.
- + High-skilled immigrants have better labor market prospects in general than immigrants admitted based on kinship ties or for humanitarian reasons.
- + High-skilled immigrants boost innovation, a key to long-term economic growth.
- + High-skilled immigrants in the labor market can raise wages for low-skilled native workers struggling with declining labor market prospects.
- + Highly paid skill-based immigrants widen the tax base and help offset growing fiscal challenges.

Change in kinship- and skill-based immigrant admissions



Source: Author's own compilation based on official government statistics.

Cons

- The design of selection systems for skill-based admissions is complicated and requires frequent updating as the economic environment changes.
- Skill-based immigrants face formidable economic integration challenges due to skill and credential transferability problems and underutilization of their human capital.
- Identifying short-term skill shortages as a basis for admissions is difficult and may not be in line with long-term needs of the economy.
- Allocating a higher share of immigrant admissions based on skills usually comes at the expense of kinship- and humanitarian-based admissions.

AUTHOR'S MAIN MESSAGE

Labor market prospects are better for skill-based immigrants than for other immigrants. However, skill-based admission is not a remedy for all the economic outcome problems of immigration, including weak economic integration. Designing skill-based selection policies is complicated; policies need to reflect labor market characteristics and the applicant pool. To maximize benefits, governments should complement immigrant selection policies with economic integration policies to ease the transfer of foreign human capital.