

The availability of highly qualified specialists is a basic prerequisite for a functioning economy. Highly qualified workers enable the state, the economy and society to deal with technological changes, carry out research and development and create innovations and jobs. In addition to the development of highly qualified natives through training and further education, immigration of internationally mobile talent is an important component in securing a skilled labour base – as well as to quickly counteract bottlenecks on the labour market. Accordingly, many countries around the world are endeavouring to attract the brightest minds. This competition is becoming increasingly fierce.

This Migration Policy Debate provides an introduction to the OECD indicators of Talent Attractiveness and gives an overview of recent findings for Germany.

How attractive is Germany for foreign professionals?

Introduction

After a long-standing policy of restrained immigration of skilled workers from non-European countries to Germany, there has been a gradual opening since the beginning of the 2000s, culminating in the adoption of the Skilled Labour Immigration Act in June 2019. In Germany, people like to trust that deficiencies or undesirable developments can be solved with a special law. However, attractive conditions for foreign specialists cannot be created by a legal framework alone, but instead by a whole range of economic and social factors.

The “OECD Indicators of Talent Attractiveness”, produced with the support of the Bertelsmann Foundation, are a tool that can be used to examine how attractive Germany is at present (i.e. before the innovations) in international comparison for highly qualified foreigners and how this attractiveness - beyond immigration law – can be increased (OECD 2019a; Tuccio 2019).

Innovative approach: the OECD indicators of Talent Attractiveness

The “OECD Indicators of Talent Attractiveness” use a set of indicators to analyse the contextual conditions for three profiles of highly qualified migrants: Persons with a Master's degree or doctorate (ISCED 7 or 8), entrepreneurs and international students. The differentiation of migration profiles is important, as countries differ in their attractiveness for these groups. The indicators are based on around two dozen variables each, selected appropriately for the profile in question.

The variables are grouped into seven dimensions, each covering one aspect of attractiveness: quality of job opportunities, income and taxes, future prospects, opportunities for family members, competence environment, diversity and quality of life. The conditions of entry and residence for highly qualified persons are also taken into account. The variables include both economic and non-monetary factors. Data will be obtained from large-scale household surveys and specific information on the difficulties of obtaining a visa or residence permit.

When selecting the variables, the most important migration channel in quantitative terms for the respective country was referenced. These immigration options are initially temporary, as people who receive permanent residence permits have usually already been living in the country for some time. In Germany, for example, the EU Blue Card is initially limited in time. The indicators allow an individual weighting of the dimensions according to personal preference (OECD 2019b). In this Migration Policy Debate, however, all dimensions are weighted equally for better comparability.

In addition to the seven attractiveness dimensions, the following variables also take into account the respective legal migration regulations:

- For academics with a Master's degree or doctorate: rejection rates when applying for residence permits and the processing time when they are issued. This data is based on internal statistics from Fragomen, an international law firm specialising in migration law. Another variable is the quantitative limit for the reference residence permit.
- For entrepreneurs: minimum investment amounts and the requirement to create a minimum number of jobs.
- For international students: tuition fees and the ratio between the share of international students in all students and the share of persons born abroad in the total population.

Germany is only moderately attractive for highly qualified academics

Among the central group of academics with at least a Master's degree, Germany occupies only twelfth place out of 35 countries and is therefore only conditionally attractive. Best placed are Australia, Sweden, Switzerland, New Zealand and Canada. Germany scores best in the "competence environment" dimension (top 25%). In the dimensions "future prospects", "opportunities for family members", "diversity" and "quality of life", the country is among the best 25 to 50 percent, i.e. in the upper midfield, but with potential for improvement.

Box 1. Variables for persons with a Master's degree or doctorate

Quality of professional opportunities: Unemployment rate of persons born abroad with ISCED 7-8 education; overqualification rate of persons born abroad with 7-8 education; share of persons born abroad with ISCED 7-8 education on temporary contracts; share of persons born abroad with 7-8 education on part-time work.

Income and taxes: Income of 7-8 ISCED workers*; price level index; tax burden for high earners*.

Future prospects: Acquisition of citizenship; simplicity of changing status from temporary to permanent; dependency ratio in 2050.

Opportunities for family members: Right of spouse to join; possibility for spouses to work; simplicity for children of migrant women to obtain citizenship; PISA math test results; public expenditure on family benefits; participation tax rate for employed second earners.

Competence environment: Internet access; knowledge of English; gross domestic expenditure on research and development; patents.

Diversity: Share of persons of working age born abroad with ISCED 7-8 education; attitudes towards immigration; gender equality.

Quality of life: OECD Better Life Index (OECD 2019c).

The greatest need to catch up lies in the "quality of professional opportunities" - this is where Germany is worst off (lower 25%). Despite the good labour market situation, the country has considerable difficulties in valorising the skills of immigrant academics. At seven percent, their unemployment rate is even slightly above the OECD average. The same applies to the relatively high level of overqualification, which affects around 27 percent of the employees in this group. Here there are very strong differences between immigrants with a degree obtained in Germany and those with a degree obtained abroad. They are even more pronounced in Germany than in most other OECD countries. For example, the employment rate for the latter group is 13 percentage points lower than for the former, and the overqualification rate is more than twice as high. This finding is barely influenced by the 2015/16 wave of forced migration.

The situation of academics who have graduated abroad and do not come from an EU country is particularly problematic. In this group, not even four out of ten people have a job that matches their formal qualifications (see Figure 1); the others are either not in employment or working in a job below their skill level.

The reasons for this are manifold and range from the insecurity of employers to the value of foreign qualifications up to simple

discrimination. In terms of income and taxes, too, Germany is only in the lower midfield. There is still room for improvement with regard to "future prospects", as Germany performs relatively poorly in terms of naturalisations.

With respect to migration regulations, Germany is among the leaders in terms of procedural parameters.

Relatively attractive for entrepreneurs - but not top

Germany ranks sixth among entrepreneurs, narrowly missing the top group consisting of Canada, New Zealand, Switzerland, Sweden and Norway. Germany does best in the dimensions "income and taxes" for self-employed persons and entrepreneurs, "opportunities for family members" and "competence environment" (top 25%). In a comparison with academics, the contrast between net incomes, where Germany is in the lower midfield, is interesting here.

The dimension with the most catching up to do (lower 25%) is - as is the case with highly qualified academics - the "quality of professional opportunities".

Attractive for international students

Germany enjoys a good reputation among international students: it is in third place within the top group - after Switzerland and Norway - and ahead of Finland and the USA. Germany performs well in all dimensions, with "quality of professional opportunities", "income and taxes" and "future prospects" particularly outstanding (top 25%). In comparison to other countries, work opportunities for students are very good and tuition fees very low. In particular, tuition fees are the same for domestic and international students.

Policy implications

The quality of professional opportunities is Germany's clear weak point, especially in the vital area of academic specialists. An important reason why Germany scores poorly is the fact that foreign qualifications are often heavily devalued on the labour market in Germany. While around 77 per cent of academics born in Germany work in a highly qualified occupation, the share of immigrant academics from non-EU states with foreign qualifications is less than 40 per cent.

In order to counter the problem of overqualification, which is generally widespread among immigrants with a university degree, the new Skilled Labour Immigration Act requires not only that the equivalence of the qualification has been established or that a recognised foreign university degree has been obtained. In addition, it is necessary that the qualifications enable to exercise the job. This is an improvement on the current version, which still requires a precise "correspondence". In the future, for example, a baker can also work as a confectioner. The recognition ensures that the immigrant skilled workers - at least initially - are not overqualified. At the same time, however, a considerable competitive disadvantage remains in the new immigration framework, since other countries do not demand formal

recognition and only assess the level of education. In most countries, formal recognition is only required for regulated professions (e.g. health professions).

The legislature has certainly recognised that the blanket requirement of formal recognition also represents a particular hurdle for non-regulated professions. The aim of the Skilled Labour Immigration Act is therefore to further facilitate the recognition of foreign qualifications. In accordance with § 16d FEG, it expands the possibilities for temporary residence for

- the post-qualification measures necessary to establish equivalence - this may include employment for an indefinite period of time which is linked to the practical professional knowledge required in the subsequent employment, provided that there is a concrete job offer;
- employment in order to make up for the lack of practical professional knowledge for the determination of equivalence (if there is a concrete job offer);
- undergoing the recognition procedure (plus any necessary qualification measures) if specific employment was arranged within the framework of bilateral agreements;
- taking an exam for recognition.

In addition, an accelerated procedure for the immigration of skilled workers and centralised and specialised immigration offices at federal state level should also improve the process for the recognition of professional qualifications. In addition, a hotline will be set up to advise persons from abroad on recognition and accompany them through the complicated recognition process. This is an attempt to facilitate the recognition procedure. It remains to be seen whether the new measures will lead to a significantly higher influx of skilled workers – yet this is not to be expected, as the necessary recognition remains a major hurdle. This is true not only in formal terms, but also in terms of the uncertainty and time delays that arise for both employers and migrants. That the law offers possibilities to accelerate procedures in the case of specialists facilitates the procedure, as it provides for shorter deadlines for immigration authorities, visa offices and recognition offices. However, a formal procedure is still required.

An alternative to formal recognition would be a kind of turbo procedure, as it exists in Norway (OECD 2017). There, the evaluation whether a migrant has the skills required for the job only takes a couple of days. A formal recognition is only required for regulated professions.

Another related point is to take greater account of non-formal and informal competences acquired through work experience. In the draft of the Skilled Labour Immigration Act passed by the Bundestag, this is only envisaged for persons working in information and communication technology (§ 19c (2) FEG in conjunction with § 6 employment ordinance). Against the

background of a constantly changing working environment, however, it should be asked whether it would not make more sense to focus on broader competences rather than on formal qualifications. However, it is often not easy to measure competences, especially since the limited transferability of work experience abroad to the country of immigration - especially if there is a lack of language skills - as various studies from Canada show (OECD 2019d).

In the German debate, the Canadian immigration model is often seen as exemplary - although it is usually easier for academics to enter Germany than Canada if they have the right job offer. However, much can be learned from Canada with respect to conditions for family. There, admissions are granted to the entire family, and family members receive comprehensive integration services, in some cases even before departure, such as free language courses and support with the translation of documents as well as with everyday integration problems. This facilitates social integration and job search.

The integration of relatives is not only an important attraction factor for skilled workers, but also increases the probability of their retention. In the Netherlands, for example, the probability of immigrant skilled workers remaining longer than five years is almost 20 per cent higher if the spouse also found employment (OECD 2016).

Germany is comparatively well placed in terms of processing times for visas and residence permits, but does not yet occupy a top position. The Skilled Labour Immigration Act establishes an accelerated procedure for the immigration of skilled workers as well as centralised foreigners authorities at federal state level which are responsible for this. The impact of these measures will have to be evaluated. As it is right now, there are bottlenecks in many immigration agencies and foreign representations. This is problematic since the time factor is central to filling vacancies.

Conclusion and outlook: Good starting point, but further efforts necessary

With regard to its attractiveness for highly qualified migrants, Germany has strengths and weaknesses. It is highly attractive to international students in particular (3rd place), and it misses the top group by a narrow margin in the case of entrepreneurs, with a sixth place. Germany scores worst among academics, where it is only on the 12th position among the OECD countries. This is mainly due to the lack of professional opportunities for people with foreign qualifications and the comparatively low net wages. Here, measures to improve the "valorisation" of foreign qualifications, such as facilitated recognition and career-oriented language promotion, would help. Germany has already made considerable progress in both areas in recent years. In addition, greater attention should be paid to the fact that immigration often takes place in the family group and that the host country should be attractive to the whole family.

In addition to the attractiveness for immigrant academics, attracting qualified workers, i.e. people who have completed vocational training, is also of great importance for Germany. This is because there are great shortages among the medium qualified, yet so far immigration has been relatively low. In 2018, for example, the Federal Employment Agency issued only 4,285 approvals for persons with completed vocational training within the framework of bilateral agreements (through the Federal Employment Agency) and 3,320 on the basis of the so-called positive list for occupations with a shortage of skilled labour (BA 2019).

Due to a lack of comparable data, the OECD Indicators of Talent Attractiveness currently do not take into account the group of people with medium qualifications. This is to change as soon as the required data will be collected. Such a comparison would help to assess the facilitation of immigration of persons with vocational training intended by the Skilled Labour Immigration Act (mostly via the abolition of the so-called positive list for occupations with a shortage of skilled labour). Improving the recognition of qualifications and competences - the bottleneck of immigration in Germany - is also of particular importance for this group.

In relation to highly skilled immigrants, it is often asked whether political efforts to improve the attractiveness of immigration countries lead to a brain drain, i.e. the loss of human resources in the countries of origin. It is certainly important to consider this many-faceted dimension. Nevertheless, it should not be forgotten that there is growing competition for skilled workers not only within the OECD countries, but also increasingly with other G20 countries.

A close monitoring of highly skilled migration at the global level is needed to identify the winners and losers in the international competition for the brightest minds. The "OECD Database on Immigrants in OECD and non-OECD Countries" (DIOC) enables such monitoring (OECD 2019e). It is also important that the national migration policies of OECD countries are guided by the principle of fairness: In addition to the interests of the respective immigration country, the interests of the migrants and of the countries of origin must also be taken into account. Skills partnerships between countries of origin and target countries are a promising tool here. In this area, Germany has already made a number of efforts, which will be further expanded with the Skilled Labour Immigration Act. For instance, bilateral agreements (through the Federal Employment Agency) allow immigration for the recognition of a foreign professional qualification if proof of sufficient knowledge of German can be provided. It is to be expected that this immigration channel will gain in importance in the future.

Bibliography

BA - Federal Employment Agency (2019), *Labour market in figures. Work permits and approvals. Reporting year 2018*. Nuremberg.

OECD (2019a), *How do OECD countries compare in their attractiveness for talented migrants? Migration Policy Debates N°19*, May 2019. OECD Publishing, Paris

OECD (2019b), *Talent Attractiveness*. OECD Publishing, Paris. www.oecd.org/migration/talent-attractiveness/ (accessed 22.8.2019).

OECD (2019c), *Better Life Index*. OECD Publishing, Paris. www.oecdbetterlifeindex.org/de/#/11111111111 (accessed 22.8.2019).

OECD (2019d), *Recruiting Immigrant Workers: Canada*. OECD Publishing, Paris.

OECD (2019e), *Database on Immigrants in OECD and non-OECD Countries 2015-16 (DIOC)*. OECD Publishing, Paris. www.oecd.org/els/mig/dioc.htm (accessed 23.8.2019).

European Commission and OECD (2018), *Growing together - integration of immigrants: main indicators 2018*. OECD Publishing, Paris.

OECD (2017), *Recruiting Immigrant Workers: The Netherlands*. OECD Publishing, Paris.

OECD (2017), *Successful integration - evaluation and recognition of foreign qualifications*. OECD Publishing, Paris.

Tuccio, Michele (2019), "Measuring and Assessing Talent Attractiveness in OECD Countries", in: *OECD Social, Employment and Migration Working Papers* No. 229. OECD Publishing, Paris.

Contacts

Jean-Christophe Dumont
International Migration Division, OECD
Email: jean-christophe.dumont@oecd.org
Tel: +33 1 45 24 92 43

Thomas Liebig
International Migration Division, OECD
Email: thomas.liebig@oecd.org
Tel: +33 1 45 24 90 68

Matthias Mayer
Programme Integration and Education
Bertelsmann Foundation
Email: matthias.mayer@bertelsmann-stiftung.de
Tel.: +49 5241 81-81564

Jonathan Chaloff
International Migration Division, OECD
Email: jonathan.chaloff@oecd.org
Tel: +33 1 45 24 18 49

Useful links:

www.oecd.org/migration
<http://www.oecd.org/migration/ministerial/>

This brief is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and the arguments employed herein do not necessarily reflect the official views of OECD member countries or EU Member States.