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I Z A
World of Labor
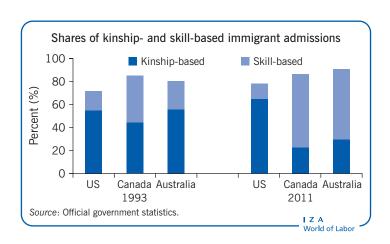Evidence-based policy making

Skill-based immigration, economic integration, and economic performance

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

ELEVATOR PITCH

Studies for major immigrant-receiving countries provide evidence on the comparative economic performance of immigrant classes (skill-, kinship-, and humanitarian-based). Developed countries are increasingly competing for high-skilled immigrants, who 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.

Shares of kinship- and skill-based immigrant admissions

Source: Official government statistics.

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 do 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 may widen the tax base and help offset growing fiscal challenges.

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.

⊖ 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 will not solve 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, immigrant selection policies should be complemented by economic integration policies to ease the transfer of foreign human capital.