



# POLICY PRIMER

## Selecting the Best and Brightest

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This policy primer discusses three key questions that arise in the development of policies that aim to attract and select highly skilled migrant workers:

1. Which criteria should be used to select and attract the ‘best and brightest’?
2. What are the difficulties with assessing migrant qualifications and previous earnings?
3. What do we know about the mismatch between migrants’ skill levels and their occupation in the host country?

### The issue: attracting and selecting the “best and brightest”

Attracting highly skilled workers is a key policy objective in many high-income countries including the UK. While most labour immigration programmes admit migrants on the basis of a job offer (the “shortage approach”: see the Migration Observatory policy primer ‘Responding to Employers: Labour Shortages and Immigration Policy’), some countries – including Canada, Australia and the UK – allow highly skilled immigration without a job offer (the “human capital approach”). Rather than filling specific shortages, the aim of the human capital approach is to increase the skills and knowledge base of a country’s workforce to promote innovation, productivity growth, and ultimately economic growth and national competitiveness.

Admitting migrants without a firm job offer can be controversial, especially in times of economic downturn and rising domestic unemployment. The UK experience over the past ten years is a good case in point. In 2002, the UK introduced the ‘Highly Skilled Migrant Programme’ (HSMP) aimed at attracting the “best and brightest” in the global race for talent. The HSMP selected migrant workers through a points-based system that included a range of criteria including qualifications, previous earnings, age, and prior UK experience. Importantly, no prior job offer was required. The HSMP admitted migrants on temporary visas, but permanent settlement was possible after four years (later changed to five). Over time, the HSMP was reformed several times to improve the criteria for selecting high-skilled immigrants. In early 2008, the HSMP was discontinued and replaced by Tier 1 (“general”) of the UK’s new points-based system (PBS). In early 2011, in response to concerns about a mismatch between the intended and actual skills of migrants entering under this scheme, the Government replaced it

with a new ‘exceptional talent scheme’ capped at 1,000 per year (down from over 10,000 admission under the previous Tier 1 programme). Migrants entering under the new exceptional talent route do not require a job offer but must be recommended by specially selected “competent bodies” which include the Royal Society (300 places per year), the Arts Council England (300 places), the Royal Academy of Engineering (200 places) and the British Academy (200 places).

What criteria should be used to select and attract the best and brightest?

Even though the term ‘best and brightest’ is frequently used, its definition in general is less clear. There is no universally agreed definition or measure of skill, and ‘high’ skilled is a relative concept (MAC 2009: 14). High-skilled immigrants are usually well educated (although education level can range from bachelor to PhD), working in high-skilled occupations (from engineers, IT specialists to researchers and health professionals) and/or command a relatively high salary (though considerable variations exist). A high-skilled person “may be equipped to do a relatively challenging and difficult job, or perform in a job to a particularly high standard against the relevant success criteria” (MAC 2009: 14). Due to the variation in definitions, the UK has recently tried to make the pool of high-skilled immigrants it wants to attract highly specific – the newly announced exceptional talent scheme aims to target the ‘crème de la crème’.

Table 1 compares the selection criteria for attracting highly skilled migrant workers in four countries: Australia, Canada, New Zealand and the UK’s Tier 1 policy before it was closed down in early 2011 (Papademetriou et al 2010). All of these policies involve points systems. The numbers in Table 1 indicate the points to pass-mark ratios for each selection criterion. For example, in the UK under Tier 1 ‘general’ category, applicants could receive

a maximum of 45 points for education for a required pass mark of 80 points. Therefore, the variable has a pass-mark ratio of 56.3%. Another example is that an applicant to the UK could receive 100% of the required pass-mark with only scoring very high on the previous earnings criterion (80 points if annual earnings were £150,000 and above).

Table 1 – Variable-to-pass-mark ratios in schemes for attracting highly skilled immigrants in four countries

	UK Tier 1 General <sup>1</sup>	Australia <sup>2</sup>	Canada	New Zealand
	Ratio of max. points available for criteria to overall pass mark			
Education	56.3	56.7	37.3	53.6
Work experience	-	28.3	31.1	42.9
Prior work experience/ education in country	6.3	61.4	14.9	25.0
Age	25.0	28.3	14.9	21.4
Language	- <sup>3</sup>	28.3	35.8	- <sup>3</sup>
Job offer	-	18.9	22.4	57.1
Spouse/partner	-	11.4	22.4	14.3
Previous or proposed earnings	100	-	-	-
Occupation in demand	-	18.9	14.9	-
Close relatives	-	8.3	7.5	6.3
Settlement stipulations	-	11.4	-	-
Total number of criteria for which points are available	4	10	9	6

Notes: The figures in Table 1 stand for the maximum points available for each selection criterion, which is a proportion (out of 100) of the pass mark for each country’s high-skilled immigration programme. The UK had a pass mark of 80 points, Canada 67 points and New Zealand 140 points (though with 100 points, candidates can get into pool of Expression of Interest but only 140 points and above guarantees selection).

1. Points reported in Papademetriou et al. have been updated to reflect current specification of Tier 1 General. When table was composed previously, education scored 66.7 %, whereas the value decreased following a policy change. Applicants could then receive a maximum of 45 points for education for a required pass mark of 80 points. Therefore, the variable has pass-mark ratio of 56.3 percent.

2. Australia has three visas within its points system, and the points required for each visa differ. The average variable-to-pass-mark country across the three systems is used.

3. The UK and New Zealand make language proficiency a prerequisite to applying for a points test.

Source: Papademetriou et al. (2008), MAC 2009: 76.

Among the countries shown, the UK’s Tier 1 (“general”) admission policy used the smallest number of selection criteria (4 including education, prior experience in the UK, age and previous earnings). New Zealand applies six criteria (education, work experience, prior work

experience/education in New Zealand, age, job offer and characteristics such as education or close relatives of spouse/partner). Canada has nine criteria (education, work experience, prior work experience/education in Canada, age, language, spouse/partner, occupation in demand and close relatives), whereas Australia has ten (the same nine as in Canada, plus points for settling in particular regions of the country that is deemed to have a greater need for migrant labour).

In contrast to the UK, New Zealand, Canada and Australia attribute points for a job offer, presence of close relatives, appropriate language skills and characteristics of spouse/partner. Australia values highly previous work experience/education in the country, whereas the UK was the only country that awarded points for previous earnings (see the discussion of the challenges with using this criterion below).

Besides the varying number of criteria among the countries, there are also differences regarding the extent to which applicants can substitute criteria for one another. The UK offered the least flexibility in this regard (due to the small number of criteria) whereas Australia allows for the greatest possibility to combine different criteria in order to achieve the required pass mark (MAC 2009: 77). Table 1 shows that the UK’s Tier 1 policy granted most weight to previous or proposed earnings, followed by education. As mentioned earlier, an applicant could receive enough points to qualify for a work permit only by having high earnings. New Zealand attributes most weight to job offer, followed closely by education. Canada offers more flexibility in combining criteria though education and language score the highest weight. Considering Australia, the country attributes the most weight to prior work experience/education in Australia and then education. Overall, there are differences across the four countries in terms of weight, but the criteria of education and age play a prominent role in all of them.

In contrast, the United States does not have a points system, but uses a priority list. Priority lists contain a ranking of desirable skills, with priority given to applicants with the highest qualifications. For the EB-2 visa, for example, applicants must have an advanced degree and relevance of subject to profession or occupation may also count towards additional criteria

for an application. Applicants need to show at least five years' relevant experience and ten years' experience may count towards additional criteria for an application. Other countries with points systems include the Czech Republic, Hong Kong, Singapore and Denmark. Denmark and Singapore assign points for occupation-in-demand, thus specific labour needs are becoming more prominent.

What does theory tell us about the most suitable criteria for selecting highly skilled migrant workers? Existing research indicates that migrants with higher level of education, experience in the host country (either through work or studies), younger age and language fluency are expected to integrate better into the labour market and achieve more positive economic and labour market outcomes (MAC 2009).

Most countries use education (measured by formal qualifications) as one of the criteria to select high-skilled immigrants. Several scholars in the human capital literature suggest that academic qualification are often correlated with higher future returns regarding employment outcomes and higher wages (Greenaway & Haynes 2000, Elias & Purcell 2004 and O'Leary & Sloane 2006). This would indicate that the high-skilled immigrants have successfully integrated into the host country's labour market. However, it is important to note that the birthplace of migrants as well as the location of qualifications obtained matter for the outcome (Hawthorne 2008).

The literature also suggests work experience to have a significant impact on the labour market integration of immigrants. Work experience is mainly measured by years in primary occupation or profession in which applicants are searching for work (MAC 2009: 77). But work experience is beneficial for labour market integration only if the acquired skills are transferable to the host country's economy (Duleep & Regets 1996). In addition, employers especially consider work experience positively if it is obtained in a high-income country. International students who may have gained some work experience in the host country are thus regarded as a valuable source of labour (Hawthorne 2008).

Earnings are likely to correlate with work experience and achievement within professions, but will also reflect

the scarcity of certain professional skills, and perhaps also some industry-specific factors (MAC 2009: 77). Besides qualifications, earnings are considered to be good but imperfect indicators or predictors of skill (MAC 2009). Existing research suggests that immigrants selected for the employment-category in the US have greater entry earnings than those selected under kinship category (Duleep & Regets 1996). However, the latter have higher earnings growth over time.

Age is another common selection criterion. The idea is that younger applicants have greater potential lifetime earnings before retirement and thus most countries award them more points (for example, Schaafsma & Sweetman 2001). Younger applicants, favoured by employers, have a higher chance of securing employment than older ones. Existing research indicates that age has influenced employment outcomes for migrants but it has been mediated by level of demand by field (Hawthorne 2008). In addition, young qualified migrants might be disadvantaged if they do not come from source countries where English is the main or most commonly used language (OECD 2006).

Last but not least, a number of studies suggest that host country language ability contributes to success of new foreign graduates in the labour market (for example, Australian Department of Education, Employment and Workplace Relations 2009). In general, language ability is expected to facilitate the integration of immigrants into the labour market as well as the host country's society, both in terms of speed and scope. Facility in host country's language is considered an important determinant of employment outcomes in knowledge economies (Hawthorne 2008: 34). Skilled immigrants with higher levels of English ability are more likely to use their qualifications than immigrants with lower levels (Papademetriou et al. 2010). Therefore, the majority of countries have a minimum language requirement for applicants (such as UK's Tier 1), but some even use language ability to select applicants over and above the minimum requirement (MAC 2009: 77).

However, it is important to point out that, despite careful selection of admission criteria, some studies indicate that the immigrant mix appears to be mainly driven by the self-selection decisions of migrants, at least in the US case (Jasso & Rosenzweig 1995,

2005). McHale and Rogers (2008) have embarked on a statistical approach to predict how potential migrants might fare in the domestic labour market. One of the findings is that ‘even using a relatively larger number of theoretically plausible criteria (such as those used in immigrant selection systems), even the best possible combination of criteria explains only a relatively small amount of the variation in immigrants’ lifetime earnings.’ Immigrants’ success might thus be mostly determined by unobserved factors (MAC 2009: 83). Therefore, selection criteria do not necessarily lead to desired policy outcomes and are difficult to implement in practice.

### Challenges with assessing migrants’ qualifications and previous earnings

A key challenge with any selection system lies in assessing migrants’ foreign qualifications. Many countries have a particular agency/body that deals with this task but most countries recognise the difficulties of this process (OECD 2007). In the UK, these qualifications have to be assessed and recognised by the National Recognition Information Centre (UK NARIC). The UK NARIC examines whether foreign qualifications are similar to the recognised standard of master’s degree or PhD in the UK. Some UK employers have complained, for example, that professional qualifications (such as the Legal Practice Course) should be recognised as a master’s degree (instead of only a bachelor’s degree), whereas other stakeholders have doubted the accuracy of NARIC’s recognition of qualifications (MAC 2009: 90). There are also debates whether an overemphasis on qualifications exists at the expense of professional experience or training. Needless to say, there is also considerable complexity in assessing foreign qualifications for medical professionals including doctors and nurses (OECD 2007).

Studies by the OECD indicate that foreign education and experience are often discounted on the labour market as many employers in receiving countries do not recognise these (OECD 2007). Foreign credential recognition is not only a difficult but also a lengthy process. For example, immigration selection procedures and/or employers in destination countries assess ‘western qualifications’ more highly than others (Iredale 2001: 10). Since the recognition of foreign

qualifications is often difficult, more and more skilled migrants to Australia, Canada, the UK, the US and other countries have been prior students of universities in these destinations. Governments and employers often feel that it is easier to recognise their qualifications and allow them to successfully integrate in the labour market because they already possess knowledge of the language and the economic, political and social context in the country (Iredale 2001: 10). Therefore, better measures to assess foreign qualifications are key if destination countries want to make use of the human capital of immigrants (OECD 2007).

There are also considerable problems with using previous salary as criterion. The key question is how to convert previous pay abroad into pay in the host country. At least two separate conversions need to be applied. First, as earnings abroad are typically in a different currency, a currency conversion is required (e.g. using spot exchange rates). Second – and this is the much greater challenge – a separate conversion is required to take account of different GDP per capita and different pay distributions in different countries. For example, the pay of a medical doctor does not necessarily fall in the same percentile of the pay distributions of different countries. The UK tried to address this problem by applying ‘multipliers’ to migrants’ previous pay in different countries, with the idea that these multipliers reflect country differences in average pay as well as the distribution of pay.

As discussed in detail in MAC (2010), the multipliers used in the UK’s Tier 1 admission policies were for a long time based on a questionable methodology and resulted in a suboptimal selection and admission of migrants. Other countries have not adopted the previous pay criterion precisely because of the difficulties the UK has experienced. The UK finally abandoned the criterion when it introduced the new exceptional talent scheme in 2011.

### High-skilled migrants for low-skilled jobs?

Another common problem of policies that admit high skilled migrants without a prior job offer is that some of the admitted migrants end up in low-skilled jobs (i.e. over-qualification). For instance, more than 33%

of Indian nationals were overqualified in Canada in 2000 (OECD 2007: 142). Many of them worked as taxi drivers. OECD research indicates that qualified immigrants encounter difficulties in all countries due to i) unobserved differences in the 'value' of degrees or in intrinsic skills; ii) problems with the recognition of degrees received in the country of origin; iii) a lack of human and social capital specific to the host country (e.g. proficiency in the language); iv) the local labour market situation and v) various forms of discrimination (OECD 2007: 134).

Over-qualification rates vary among countries, ranging from 5% (Czech Republic) to 26% (Spain). The UK is placed in a group with Spain, Ireland and Belgium, where the over-qualification rates are high for immigrants and for the native-born. Legal and regulatory limitations (e.g. requirements for work permits, region of settlement and access to citizenship) can also limit the choice of jobs for new immigrants, at least temporarily. The expectation is that over-qualification would decrease as the stay of immigrants lengthens (OECD 2007: 137).

There are considerable differences between Australia and Canada in terms of mismatch between migrants' skills and the skill requirements of the jobs they do. The mismatch is smaller in Australia than in Canada. The existing literature suggests that it is important to choose the right selection criteria in order to select immigrants – changes in Australia's selection criteria have led to improved employment outcomes of new immigrants (Hawthorne 2006). Richardson (2004) has supported this analysis, pointing out that there are several reasons why new Australian immigrants have better labour market outcomes. In contrast to Canada, Australia has placed great importance on occupational demand, language testing, credential screening and international student selection (Hawthorne 2008). With the goal of catching up with Australia in terms of labour market outcomes, Canada has reformed its selection criteria in recent years. In general, it is the policies that influence immigrant characteristics which are the most important factors shaping immigrants' labour market outcomes (MAC 2009: 82).

In the UK, research published by the Home Office suggested that about 30% of Tier 1 immigrants ended up in low-skilled jobs (e.g. shop assistants, security

guards and supermarket cashiers) (Home Office 2010). But the report has been challenged by some pro-migration groups because it was based on a small sample of migrants (Boxell 2010).

In the European Union, over-qualification is likely to be more pronounced for high-skilled migrants coming from outside the EU because their degrees and qualifications are not always recognised. The Bologna process in the EU seeks to lead to recognition of qualifications and credentials for EU nationals, as well as the compatibility of degrees.

### **High-skilled immigration: toward more demand-based admission policies?**

Admission policies that select high-skilled migrant workers based on their characteristics alone ("supply-based admission policies") can be supported by theory but have proven challenging to implement in practice. In response many countries including the UK have been shifting their admission policies toward more demand-based models that include requirements of a job offer. For example, Australia and Canada have in recent years expanded their temporary immigration programmes for high-skilled workers where admission requires a job offer. In the UK, the new exceptional talent scheme does not require a job offer but instead asks for a recommendation by specially selected "competent bodies".

Another consideration that continues to be debated in the area of high-skilled immigration policy is the impact on migrants' countries of origin. The UK adheres to an ethical code of recruitment for foreign health professionals, which is non-binding and only applies to the public sector. There is debate whether and to what extent the emigration of highly skilled migrant workers leads to a brain drain or gain in sending countries (see the Migration Observatory policy primer 'Migration and Development').

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Based at the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford, the Migration Observatory provides independent, authoritative, evidence-based analysis of data on migration and migrants in the UK, to inform media, public and policy debates, and to generate high quality research on international migration and public policy issues. The Observatory's analysis involves experts from a wide range of disciplines and departments at the University of Oxford.



## COMPAS

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