Rethinking Points Systems and Employer-Selected Immigration

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Executive Summary

Two competing models for selecting economic-stream immigrants are now widely used in advanced industrialized economies: points-based and employer-led selection. Points-based systems admit immigrants who have a sufficient number of qualifications and experiences from a list that typically includes language skills, work experience, education, and age. Points systems appeal to policymakers because they are transparent, flexible, and can be adjusted to meet evolving economic needs or respond to evidence on immigrants’ integration outcomes. But since employers are not involved in selection, points systems often admit immigrants who are unable to find work at their skill level once they arrive. This undermines both integration and the long-term economic benefits of immigration.

Hybrid selection systems combine the best ideas from both points-based and employer-driven models.

Employer-driven systems, by contrast, allow employers to select the workers they need, subject to government regulations. Being selected by an employer is evidence that immigrants’ skills are needed and thus guarantees that they will have a job when they arrive. However, it also raises concerns that employers may manipulate the system in order to access cheaper labor or that workers will be too dependent on their employers (and hence vulnerable to exploitation).

Hybrid selection systems combine the best ideas from both points-based and employer-driven models. Immigrant-receiving countries that once selected foreign workers using purely points-based or purely employer-led systems have increasingly opted to borrow from the competing model, developing hybrid systems that bring some of the advantages of both. The resulting selection systems have much of the flexibility of points systems, typically providing several routes to permanent residence and giving foreign workers more freedom to move between employers. Crucially, however, they prioritize employer demand, in the form of a job offer or a good track record of employment in the host country. As a result, some of the most successful immigrant-selection models rely on temporary-to-permanent visa pathways that admit workers initially on temporary work permits but provide a clear and predictable path to permanent residence to those with good integration prospects.

I. Introduction

Every nation that creates openings to skilled and very skilled migration must decide how immigrants will be selected from the global talent pool. Regardless of the particular circumstances or objectives that shape a nation’s immigration policies, almost all the major players in economic-stream immigration policy share the desire to admit immigrants who will contribute economically, who have skills that employers value, and who have good prospects for social and economic integration.

Which immigrants gain entry and how they fare in the labor market depends fundamentally on the

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1 This report discusses economic-stream immigration, which represents a varying proportion of overall legal immigration in receiving countries. For example, in the United States, most permanent immigration is selected on the basis of family ties, with only 15 percent coming through employment-based channels. By contrast, about two-thirds of legal immigration in Australia comes through its economic migration program. For a broader discussion of economic-stream immigration policy, see Bertelsmann Stiftung and Migration Policy Institute, eds, Talent, Competitiveness and Migration (Gutersloh: Bertelsmann Stiftung, 2009), www.bertelsmann-stiftung.de/cps/rde/sch/gbst_engl/hss/publikationen.94735.htm%20; and Demetrios G. Papademetriou and Madeleine Sumption, Immigration and Competitiveness in the United States (Washington, DC: Migration Policy Institute, forthcoming).
criteria that prospective immigrants or their employers are required to meet. For decades, immigrant-receiving countries across the world have grappled with the inevitable question, what should those criteria be? This report examines the two competing models for selecting economic-stream immigrants: points-based and employer-led systems. It assesses their success in meeting the twin objectives of admitting valuable human capital and ensuring the effective integration of immigrants themselves. And it describes how some immigrant-receiving countries have begun to create hybrid systems that combine the benefits of both models while avoiding some of the pitfalls of a purely points-based or employer-driven system.

II. Points-Based vs. Employer-Led Selection

A. Points Systems

One approach to selecting prospective immigrants is known as a points test. In a points-based immigration system, governments devise a list of attributes or characteristics that they deem important for prospective foreign workers to possess to be admitted as temporary or permanent immigrants. In the purest version of this model, prospective immigrants apply directly to the relevant government agency, and those who gain a sufficient number of points according to these criteria can receive work visas. Traditionally, points systems have been used to admit immigrants on a permanent basis, although more recent adopters such as the United Kingdom and Denmark have used them to admit workers on an initially temporary basis, adjudicating permanent residence applications a few years later.

The points system is essentially a “human-capital accumulation” formula. That is, it seeks to increase the population of workers whose skills, education, and other attributes are either thought to be in short supply or are otherwise of intrinsic (and typically long-term) economic value to an economy. The system was a Canadian innovation in the late 1960s, a period when Canadian universities were unable to produce qualified workers in large enough numbers to propel the Canadian economy forward. A half-dozen or so countries with similar aims have since adapted the model of points-based selection to their own domestic circumstances. These countries range from Australia and New Zealand to Denmark, Singapore, and Hong Kong.

The most common attributes for which points are awarded are language ability, education, age (i.e., youth), and a job offer or work experience, especially in occupations considered in demand. Proposed earnings have gained prominence in countries that require points-tested immigrants to have a job offer, notably the United Kingdom and Singapore. Less common criteria include the presence of close relatives or the education and work experience of an applicant’s partner (these criteria are also less valued, earning considerably fewer points). The emphasis that the various attributes receive varies widely by country. Denmark’s points system, for example, values academic credentials above all else, and some prospective immigrants can earn sufficient points for entry on the basis of their education alone. By contrast, New Zealand prioritizes the applications of prospective workers in “future growth” occupations.

Note that, like other selection systems, points systems can also impose mandatory eligibility criteria for which points are not necessarily awarded. New Zealand and the United Kingdom, for example, require a minimum level of language proficiency.

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3 Points-based systems are sometimes also described as government-led systems.
4 These criteria are discussed in more detail in Papademetriou, Somerville, and Tanaka, Hybrid Immigrant-Selection Systems.
B. **Employer-Led Systems**

A second, competing, selection system is demand driven, and relies on employers to choose workers. Unlike the points system, which in many ways still focuses on admitting well-educated workers who then simply enter the national labor pool, the employer-led system seeks to meet firms’ actual labor needs in real time and to allow employers to determine which skills or qualifications are most valuable. Several countries follow this system, including Sweden, Spain, Norway, and, most notably, the United States. Even though employers select immigrants, the government sets regulatory parameters for selection. For example, immigration rules can specify minimum levels of education for prospective foreign employees and the wages they must earn, the steps that employers must take to identify or recruit local workers before applying for visas for immigrant workers, and increasingly, fees per foreign worker hired. In some instances, requirements are quite complex, imposing more intrusive conditions for identifying and recruiting local workers, requiring evidence of training and retraining of existing workers, or introducing greater scrutiny where an employer’s workforce has more than a certain proportion of foreign workers. As a general principle, these regulations aim to reduce the risk that local workers will be displaced or their wages underbid.

Employer-led systems may provide temporary or permanent work authorization; in many cases, immigrants initially receive temporary visas but have the right to apply for permanent residence after a few years. Since employer-selected workers enter to take up a specific job, their residence and work rights may be tied to a specific employer. Depending on the system, workers who leave or lose their job may be required to leave the country; however, they may first be given a few weeks or months to look for a new job.

III. **Advantages and Disadvantages of Points-Based and Employer-Driven Systems**

A. **Points Systems**

Policymakers are often attracted to points systems because they enable the government to set clear and transparent standards for the human-capital level of incoming immigrants, while conveying to the public that they are in control of economic-stream immigration. Points systems can be easily adjusted to meet evolving economic and broad labor market needs and to bring about improved integration outcomes, making adaptability the hallmark of the most successful points systems. Where such systems include a research and evaluation component, adjustments of this kind can be made on the basis of empirical evidence of how the systems’ design affects immigrants’ long-term integration. After all, the criteria for which points are awarded (notably education and language proficiency in particular) are typically those associated with both economic success and good social integration.

Evidence of problems with points–based selection formulae, however, abounds. Perhaps the greatest single flaw of the traditional points-based model is that immigrants arrive without a job offer and there is no guarantee that they will find work easily at their skill level. Points systems can only assess quantifiable skills and credentials, and have difficulty distinguishing between qualifications of different quality or utility. They are also ill equipped to reward “soft” attributes that employers care about, such

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5 Work-visa fees have particular appeal as a policy tool for regulating employer-sponsored immigration, since employers’ willingness to pay a fee can be seen as a demonstration of genuine need. Moreover, the revenue can then be partly committed to investments in worker training and education for domestic students in subjects that are in short supply, or funding streams designed to reduce strain on public services at the local level.

6 Note that some countries have attempted to address this problem by maintaining lists of academic institutions from which points for education can be claimed, or awarding extra points for degrees from top-ranked institutions. Denmark, for
as interpersonal skills or informal on-the-job training. Research from Canada and Australia points to substantial un- and underemployment among points-selected foreign workers — giving credence to the concern that points systems often lead to “brain waste” and do not identify workers with skills that local employers value. Integration suffers accordingly.

At the same time, many firms are still unable to find the workers they need from within the foreign worker pools created by regulators, raising the question of whether points-based immigration really serves the nation’s economic interest.

**B. Employer-Led Systems**

The demand-driven, employer-led system resolves many of these problems. As a direct policy vehicle for economic growth and firms’ competitiveness, this selection system has no equal, responding directly to the needs of firms and allowing employers to find workers who meet their specific needs from within the enormous global talent pool.

Second, employer selection ensures a level of immigrant integration that points systems have struggled to achieve. Most employers invest substantial resources in individually screening job applicants and ensuring that they have the requisite skills. Since admission is contingent on having a job offer, this essentially eliminates the risk of long periods of initial unemployment and greatly reduces the unemployment that results from employers’ failure to recognize credentials. In other words, employer sponsorship is itself a demonstration that a given worker’s skills and credentials are valued in the labor market. And even though employers select workers, governments can still require minimum levels of education, language proficiency, or earnings to ensure that workers qualify as highly skilled. Evidence from countries that admit economic-stream immigrants both with and without job offers is compelling: employer-selected immigrants fare better.\(^7\)

Concerns about employer-led immigration focus primarily on the risk that employers will manipulate the system to access cheaper labor. Unlike points systems, employer-driven systems tend to tie workers to specific jobs, making it difficult for them to stand up to exploitative employers or respond to changing labor demand by moving jobs. Crucially, this may allow employers to pay them below-market wages. Meanwhile, there is a risk that open access to a foreign labor pool will allow employers to pay lower wages or avoid responsibility for training domestic workers — or indeed the foreign workers that they hire — thus doing little to reduce the scarcity of skills that economic-stream immigration is in part designed to address. Finally, there is a gnawing fear that temporary employer-driven immigration may spill over into illegal immigration if workers lose their jobs.

Moreover, many of the regulations that governments create to shape employers’ use of the system are viewed with suspicion by some advocates, who argue that they fail to prevent employers from discriminating against local workers or from paying immigrants lower wages.\(^8\) Ultimately, one of the most

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\(^7\) In Australia, for example, 94 percent of workers who entered the country under the Employer Nomination Scheme were employed six months after receiving their visa or arriving in the country, compared to 80 percent of points-tested migrants. Employer-nominated workers were more likely to work in skilled jobs and earned one-third more than their points-tested counterparts, according to data from 2008–10. In Canada, average earnings among the 2003 cohort of points-tested immigrants were roughly twice as high for workers who claimed points for having prearranged employment, a gap that was still visible after three years and probably beyond. See Department of Immigration and Citizenship, “Additional Results from the Continuous Survey of Australia’s Migrants,” [www.immi.gov.au/media/publications/research/_pdf/csam-additional-results.pdf](http://www.immi.gov.au/media/publications/research/_pdf/csam-additional-results.pdf) (for Australia); and Citizenship and Immigration Canada, [Evaluation of the Federal Skilled Worker Program](http://www.cic.gc.ca/english/pdf/research-stats/FSW2010.pdf) (for Canada).

\(^8\) For example, advertising requirements may encourage employers to look for workers in the local labor market, but even very heavy-handed and burdensome requirements are unlikely to eliminate abuse among the small minority of employers who
effective safeguards against these problems is visa “portability”: that is, worker’s ability to move between employers, perhaps after a probationary period.\footnote{Demetrios G. Papademetriou, Doris Meissner, Marc Rosenblum, and Madeleine Sumption, Aligning Temporary Immigration Visas with US Labor Market Needs: The Case for a New System of Provisional Visas (Washington, DC: Migration Policy Institute, 2009), \url{www.migrationpolicy.org/pubs/Provisional_visas.pdf}.} Freedom of movement between employers is one of the benefits of the points system and has also been incorporated into hybrid immigration systems, described next.

**IV. Hybrid Selection Systems: Alternatives that Combine the Best of Both Systems**

Recognizing that neither selection system in its pure form can meet all the needs of countries interested in selective or highly selective immigration, policymakers in several immigrant-receiving nations have experimented with ways of combining the best ideas from both. Led by Australia, countries dependent on points systems have come to appreciate and accommodate the unparalleled advantages that employer selection brings in terms of both immigrant integration and firms’ competitiveness. Meanwhile, some governments with demand-driven systems have also seen the value of giving workers more independence from their employers and of raising the “quality” of employer-selected immigrants using a flexible set of criteria such as a points test.

The natural product of this convergence is the hybrid selection system. Hybrid systems prioritize employer demand while using a points test or other set of criteria to distinguish between applications of differing quality. Five major ways to develop hybrid systems are:

- Using both systems concurrently.
- Awarding points for a job offer within a points system or otherwise prioritizing points-selected immigrants who have prearranged employment.
- Relying on temporary-to-permanent pathways, providing visa portability for employer-selected immigrants, and basing permanent residence decisions on workers’ track record of employment.
- Focusing on foreign students as a source of skilled economic-stream immigrants.
- Requiring both a points test and employer selection to improve the quality of employer-driven immigration.

First, all of the major immigrant-receiving countries that use points-based systems also allow some form of employer-selected immigration. Although long-time points-system users (such as Canada and Australia) have traditionally seen the points system as the most important entry route for highly skilled permanent immigration, they have increasingly recognized the advantages of employer selection and have adjusted their systems to rely on it more heavily. Australia and Canada, for example, have expanded the share of immigrants entering through employer-selected routes. In Denmark, the recently established points system is just one of several entry routes for highly skilled immigrants, researchers, and former international students.

A second way that points systems can accommodate employer demand is by awarding points for job offers.
This approach, used in both Canada and New Zealand, helps to prioritize the admission of immigrants who have already found employment, without making a job offer compulsory. Canada also provides priority processing for applicants who have a job offer (although these applications still take several months to be approved) and recently capped the number of applications that can be approved per year for workers without prearranged employment.\textsuperscript{10}

\textbf{Countries dependent on points systems have come to appreciate and accommodate the unparalleled advantages that employer selection brings in terms of both immigrant integration and firms’ competitiveness.}

Third, hybrid systems can be created by developing temporary-to-permanent visa pathways. Increasing proportions of skilled workers in both points and demand-driven systems now enter on temporary visas that can be converted into permanent ones if their holders meet certain conditions. In many cases, these workers are initially employer selected. In New Zealand, for example, employer-driven visas are explicitly designed as an initial entry route for workers who hope to qualify for permanent residence under the points system. In the United Kingdom, almost all economic-stream immigrants must now have an employer sponsor to enter the country, but those who pass a points test from within the country can apply to become independent of their sponsor. In Sweden, work-based immigration is employer selected but work authorization becomes fully portable after two years, and the temporary visa can be converted into permanent residence after four years.\textsuperscript{11} These arrangements favor workers with recent host-country work experience who have demonstrated the value of their skills in the local labor market, and allow the immigration system to reward a successful track record of employment. To ensure that a suitable pool of workers is able to gain local work experience in this way, some countries also offer job-search visas that allow prospective immigrants to enter the country to look for work.\textsuperscript{12}

Several countries now emphasize foreign students as a pool from which temporary foreign workers are recruited. This policy has some obvious advantages.\textsuperscript{13} Foreign students’ graduation, particularly in fields of study that the host economy values, is a direct measure of both language competence and qualifications. Many students are also preselected by universities that have high standards.\textsuperscript{14} Graduating students can be required to have an employer sponsor to stay on, making the credential-recognition and employability issue moot. And the fact that the initial period of work authorization is temporary creates a

\textsuperscript{10} Applications without an arranged employment offer (AEO) are capped at 20,000 annually. In 2010, approximately 49,000 principal applicants were admitted under the Federal Skilled Worker Program, Canada’s points system, in addition to 55,000 spouses and dependants. See Citizenship and Immigration Canada, Preliminary Tables, Permanent and Temporary Residents, 2010 (Ottawa: CIC), www.cic.gc.ca/english/resources/statistics/facts2010-preliminary/01.asp.

\textsuperscript{11} In the first two years, employment-based immigrants to Sweden can change employers without leaving the country if their new employer applies for a work permit on their behalf. Workers who lose their jobs have three months to look for a new one before their residence permit expires. For details, see Migrationsverket, Employees from Countries Outside the EU (Norrköping, Sweden: Migrationsverket), www.migrationsverket.se/info/160_en.html.

\textsuperscript{12} For example, New Zealand operates a small program (300 places per year) to allow 20- to 35-year-old applicants with a bachelor’s degree and English language proficiency to come to the country to look for a job. Singapore also provides job search visas to workers with degree-level qualifications from certain universities.

\textsuperscript{13} See also Lesleyanne Hawthorne, The Growing Demand for Students as Skilled Migrants (Washington, DC: Migration Policy Institute, 2008), www.migrationpolicy.org/pubs/Provisional_visas.pdf.

\textsuperscript{14} Of course, not all educational institutions have high standards, as policymakers in Australia and the United Kingdom recently discovered. In both countries, a lack of quality control over sponsoring colleges led to the growth of “diploma mills” that attracted students whose real interest was in the labor market. This phenomenon has prompted policymakers to rethink the student-to-worker pathway and to make it more selective.
transitional period during which a real vetting of the worker can assuage most concerns about his or her employability and ability to integrate.

Finally, systems that rely on employers to select most or even all immigrants can require that their workers pass a points test. This approach allows governments to raise the skill profile of economic-stream immigrants by requiring them to meet a flexible set of criteria that may include language proficiency, education level, and prospective earnings. Since employer-led immigration systems already tend to impose criteria such as these, a points test simply allows applicants to meet the requirements in various ways (for example, by demonstrating either a high education level or high prospective earnings). This approach is particularly useful for governments that impose numerical limits on economic-stream immigrants but wish to rank applications and prioritize those considered most attractive.15

V. Conclusion

A good selection system has clear rules, to ensure that the outcomes for all concerned are both predictable and mostly positive. It also requires a willingness on the part of political elites and government regulators to enforce those rules. Demand-driven formulae may be more effective in solidarity-based social systems because of these systems’ greater emphasis on voluntary compliance. Points systems may have a built-in advantage in political systems willing to make ongoing investments in analysis and to adapt the formulae quickly as economic and labor market circumstances change.

For societies to succeed in their immigration policies, they must be willing to experiment continuously and to make the changes needed to deliver better outcomes.

There is no perfect economic-stream immigrant-selection system. But several governments have created innovative policies that bring them closer to achieving the ultimate goal of welcoming skilled and highly skilled workers into their countries while meeting employers’ labor needs in a timely manner and facilitating immigrants’ successful economic and social integration. Increasingly, these policies rely on hybrid selection systems. Irrespective of the exact model countries choose, one thing is certain: for societies to succeed in their immigration policies, they must be willing to experiment continuously and to make the changes needed to deliver better outcomes.

15 The two main examples of countries using this approach are the United Kingdom and Singapore. The number of workers that UK employers can sponsor is capped, and sponsorship rights are allocated through a points test that rewards shortage occupations, PhD-level research occupations, and employment contracts with high salaries. In Singapore, a points test is used to control the earning and education levels of workers in middle-skilled jobs.
Works Cited


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Demetrios G. Papademetriou is President and Co-Founder of the Migration Policy Institute (MPI), a Washington-based think tank dedicated exclusively to the study of international migration. He is also the convener of the Transatlantic Council on Migration, which is composed of senior public figures, business leaders, and public intellectuals from Europe, the United States, and Canada. Dr. Papademetriou is Co-Founder and International Chair Emeritus of Metropolis: An International Forum for Research and Policy on Migration and Cities. He also is Chair of the World Economic Forum’s Global Agenda Council on Migration.

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