

SHAPE THE FUTURE, STRENGTHEN THE ECONOMY, SECURE THE SKILLS BASE



Strategy for Skilled Immigration
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Study on behalf of



Introductory remarks

Most European countries face the challenge of securing or expanding the supply of skilled labour. Further to the upgrading of the qualification of the resident labour force and an increase in the female employment rates, skilled immigration can be the third pillar of an overall strategy aimed at securing the supply of skilled labour.

This Executive Summary recapitulates the results of the study "*Zukunft gestalten, Standort stärken, Fachkräfte sichern. Strategie für die qualifizierte Zuwanderung.*" („*Shape the Future, Strengthen the Economy, Secure the Skills Base. Strategy for Skilled Immigration*"). The study was carried out by the *International Centre for Migration Policy Development (ICMPD)* on behalf of the *Federation of Austrian Industries (IV)* in the first half of 2019. The aim of the study was to examine which demographic, technological and economic trends will determine the availability of the required skilled labour in Austria, Europe and beyond. At the same time, the study tried to answer the question to what extent skilled immigration can contribute to securing the skills base and how it can be organised in a functioning and beneficial way.

The options for action derived from this analysis are not limited to Austria. They were developed as a generic strategy for all European states considering the development of a specific strategy for skilled immigration. The proposed steps and measures provide a general direction, but their implementation must be adapted to the respective national contexts. The aim was to develop a sequence of strategic options for action and steps which, as a whole, would make it possible to meet the essential challenges of skilled immigration.

Initial situation

A shortage of skilled workers, which has been the subject of repeated scientific and public debate over the past decade, now seems to have become an undeniable reality in Austria. According to the results of a study by the *ibw Austria - Research & Development in VET*, in spring 2018 some 87% of the 4.500 Austrian companies surveyed reported to be already affected by the shortage of skilled workers. For Austria as a whole, the study estimated a lack of some 162,000 persons in this category. The strongest demand for skilled workers was reported from medium-sized enterprises. Tourism industry and the craft and technical sector reported the highest demands for qualified staff.

By far the highest demand was reported for skilled workers with completed apprenticeship training - 60% of the companies surveyed reported difficulties in finding

employees in this segment. At the same time, there were major regional differences. While in the eastern federal provinces there was a surplus of job seekers, particularly in Vienna and its surroundings, in the western provinces there was a surplus of open positions.

Since the shortage of skilled workers has steadily increased in recent years, the phenomenon is not only caused by the usual ups and downs of the economy, but also by structural reasons, mainly the profound economic and demographic change Austria experienced in recent years. Demographic developments and the consequences of digitalisation and industry 4.0 highlight the need for an increase and an upgrading of the qualified workforce. Only an increase of the supply of highly-qualified and well-trained workers and employees will guarantee the attractiveness of Austria as a business location, safeguard the funding of the welfare state and foster the level of innovation necessary to cope with future challenges. In this context, all future scenarios highlight a decline of the number of low-skilled jobs and an increased demand for qualified labour.

Immigration of skilled labour cannot be the only remedy for a lack of qualified labour at the domestic level. As part of an overall strategy to secure the supply of skilled workers, however, it can sensibly supplement the further training and activation of the domestic workforce. Given the challenges of digitalisation and industry 4.0, there is a need to upgrade the vocational training system in order to meet these challenges. In addition, there is also a need to upgrade the skills of those already employed, to activate those currently not in employment, and to increase female employment.

Given the demographic development and the challenges that already characterise the Austrian labour market, simply increasing the intake of foreign labour is not a solution. On the contrary, Austria needs to regularly evaluate the medium- and long-term labour market needs and to systematically manage the immigration of well-trained skilled workers.

Demography, economic transformation and the labour market

In general, Austria's demographic situation compares well to other European countries. If past trends continue the total population will increase by 10.2% from around 8.8 million to around 9.7 million by 2050.

However, this figure does not tell a lot about the number of people directly available to the Austrian labour market. Currently, there are some 4.6 million persons working as entrepreneurs, workers or employees in Austria. If it were possible to mobilize those

currently not engaged in a gainful occupation, this figure would rise to around 5.1 million persons by 2050. A more realistic forecast assumes a somewhat lower increase to approx. 4.8 million persons.

The labour force potential – all people aged between 15 and 64 - will reach its peak in 2021 and then decline again. Despite immigration, the labour force potential will decline to approx. 5.7 million by 2050. At the same time, the number of people aged 65 and over will increase significantly. It will rise from around 1.6 million to approx. 2.6 million. In 2050, there will be 46.5 people aged 65 and over for every 100 people of working age. This represents an increase of 63.7 % compared to today.

The increase in the Austrian population over the last fifteen years and the comparatively favourable demographic forecasts are closely related to immigration. Between 2002 and 2018, the total population grew from around 8.1 million to around 8.6 million. This represents an increase of 9.9% or about 795,000 persons, mainly due to immigration, particularly from within the EU. Some 55.1 % of the total of around 616,000 new immigrants since 2002 came from EU and EFTA States, and 44.9% from third countries. Overall, the number of persons born abroad rose from around 1.1 million in 2002 to around 1.7 million in 2018.

In line with population trends, however, migration patterns will also be subject to structural change. In 2018, 65.3% of all persons born abroad came from 10 countries of origin. The traditionally most important countries of origin (Germany, Western Balkan States, Turkey, Romania, Hungary and Poland) have still recorded significant increases in the number of immigrants in Austria since 2014. However, all these states are or will be affected by demographic ageing or decline. The recently observed decline in the Turkish-born population in Austria is still moderate but gives a taste of what can be expected with regard to other traditional countries of origin of immigration to Austria. Return and re-migration will also characterise the migration patterns of these countries in future. While the steep increase in the number of migrants from Syria and Afghanistan essentially was a result of the refugee crisis of 2015 and 2016, the relevance of these two countries of origin will tend to decline again.

The actual future demand for skilled labour will depend strongly on changing labour market conditions. Against the background of rapidly advancing digitalisation and rationalisation in production and services, it is not easy to predict what jobs and job profiles will emerge or disappear. However, there are clear trends from the recent past and clear expectations on the part of Austrian companies and labour market experts with

regard to the long-term labour market demands. All studies and reports, forecasts and scenarios underline the increasing demand for highly qualified workers on the Austrian labour market.

Strategic consequences

The standards of qualification in demand for the Austrian labour market are high by international standards and will continue to rise against the background of digitalisation and Industry 4.0. The number of skilled workers available on the national and international market will not be sufficient to meet future needs. Austria will have to create much of the pool of foreign skilled workers itself. Training and skills partnerships with new partner countries can be used to export Austria's high standards, ensure a match between the needs of Austrian enterprises and the qualifications of migrant skilled workers, and at the same time make an important contribution to the development of the economy and human capital in the partner countries. Austria should thus take a targeted approach and develop training partnerships with selected countries characterised by a certain average level of education of the population, a stable and reliable administration and a demographic composition making skills partnerships a gain for them, the migrant workers and Austria.

The strategic and targeted management of the immigration of skilled workers certainly represents a paradigm shift that involves a change from "administering" to "shaping" the underlying migration processes. However, a whole series of projects and initiatives demonstrates that this change is already taking place and that, despite a number of challenges, can be managed successfully. A comprehensive and targeted strategy aggregating and refining these experiences in a comprehensive strategy at the national level is the necessary next step towards safeguarding the attractiveness of Austria as a striving economy and business location.

Vision and purpose of a strategy for skilled immigration

A strategy is a medium to long-term plan to achieve previously defined goals. The task of a strategy is to strive for a positive future in a certain area. The positive future is formulated in the vision. In the context of a strategy for skilled immigration, this vision could read as follows:

"Shape the Future, Strengthen the Economy, Secure the Skills Base."

In a desired future, the Austrian economy should have at its disposal a sufficient number of well-qualified skilled workers. The recruitment and immigration of skilled workers,

which form part of the overall skills base, should be the result of a permanent and well-coordinated system of institutions and measures working together both in Austria and in partner countries. Thus, skilled migrants should not only fill existing labour force gaps but also increase the innovation potential in the country with their ideas and skills, strengthen the economy and make market and social system fit for digitisation and global competition.

This vision informs the overarching objectives that guide the implementation of the strategy. The strategy should:

- Maintain the skills base, secure the future of the economy and social system, increase the immigration of highly qualified and skilled workers.
- Increase the attractiveness of the economy for highly qualified persons and skilled workers, reduce bureaucratic and other hurdles and support skilled immigrant workers in all aspects of entry and stay.
- Develop cooperation on vocational training with selected countries of origin, establish skills and training partnerships and ensure added value for all countries involved as well as for the skilled migrants themselves.

In order to achieve these goals, a series of steps and measures should be taken, which as a whole meet the main challenges linked to the management of skilled migration. The options outlined below have been developed in a way that they can be implemented individually and independently and nevertheless promote skilled migration. Implemented in their entirety, they are intended to form a holistic and pragmatic programme that is realistic in its vision and objectives, and incorporates political as well as structural conditions in its considerations.

Skilled immigration as part of a holistic strategy to secure the skills base

The challenges resulting from technological and demographic change cannot be met by the immigration of skilled workers alone. There is a need for a holistic strategy comprising three fields of action: Upgrading the skills of domestic workers to meet the requirements of digitisation and industry 4.0; increasing the labour market participation of women, ideally in full-time employment and in technical occupations; and targeted and well-managed immigration of skilled workers. The latter should combine the goal of meeting current labour market and skills needs with the aim of securing the economy and the functioning of the welfare state from a longer term perspective.

Promoting intra-EU labour mobility

Approx. 12.5 million EU citizens in working age live in another EU Member State. At the same time, there are also approx. 15.7 million unemployed persons in the EU, many of whom are youths or young adults. Consequently, a strategy for skilled immigration should always aim at strengthening labour mobility within the EU. This should be achieved through a common EU-wide mobility strategy; the harmonisation of vocational training systems within the EU; incentives and support systems for EU citizens to move and work abroad; a further development of the EURES Job Mobility Portal and a reform of the EU funding instruments with a view to better promoting intra-EU labour mobility.

Establishment of a migration, mobility and skilled labour force monitoring system

The successful implementation of a strategy for skilled immigration requires a solid data and information base. The availability of in-depth and up-to-date information enables strategic decisions, supports the identification of partner countries and allows for the necessary adaptation of all framework conditions. In this regard, three monitors should be established: A general migration monitor dealing with global trends; an immigration monitor analysing country-specific developments and a skilled labour force monitor identifying skills and qualifications needs.

Establishment of the legal framework

Regularly, the legal regulation of skilled immigration is spread across many different laws and regulations. This leads to complex and sometimes opaque procedures and makes it difficult to implement underlying policy objectives. The regulations referring to skilled immigration should therefore be brought together in a separate law. The added value of legal consolidation results from a clear definition of strategic objectives and target groups as well as from the clarification of which bodies should be primarily responsible for the implementation of the strategy.

Establishment of the institutional framework

The implementation of a strategy for skilled immigration requires a robust institutional framework. The proactive management of skilled immigration poses new challenges at the various political, administrative and professional levels. At the same time it requires the provision of the necessary human and financial resources. Appropriate measures should include the pooling of political responsibility; the establishment of a skilled workers agency for the practical implementation of the strategy; and a systematic

monitoring of its implementation by a an advisory board composed of researchers and experts.

Definition of the target groups of the strategy

Technological change will bring far-reaching adjustments in the economy and the world of work. But this change will not affect all sectors and industries at the same time and in the same way. Securing economic performance and innovation requires skilled workers in different categories. The four main categories are Global Talents (young and highly educated with innovative ideas and entrepreneurial spirit); High Potentials (individuals with a university degree who have work experience or the potential to become managers); Skilled Workers with technical education, completed apprenticeship trainings or higher vocational education; and Skilled Workers in the broader sense (individuals at all skills levels needed in specific sectors and industries such as tourism, gastronomy or care). For all of these groups, long-term needs should be identified and specific programmes should be developed.

Enhancement of the destination country's attractiveness

Skilled migrants often find themselves confronted with obstacles that make entry, residence and integration difficult for them or their relatives. Such negative experiences are passed on via social networks and can have a detrimental impact on the image of a destination country. Conversely, good communication, counselling and support increase the attractiveness of a destination. Essential aspects for promoting a destination country's attractiveness are improved communication with the authorities; WWW-based information services in English; broad support during the first phase of settlement in all of its aspects; international schools and kindergartens; support for partners in finding employment; the transferability of pension payments and tax incentives.

Branding of the destination country

Smaller countries are not among the best known destinations for skilled workers. Even though a number of companies from these countries are among the top brands or "hidden champions" in their sector, this does not mean that members of the target group of skilled workers have a lot of knowledge about the country where these companies are located in. In view of an increasingly intense competition for skilled workers, countries must make considerable investments in increasing their attractiveness as a good place to live and in positioning their "brand" as a leading location for business, work, training and innovation.

Simplification of the recognition of skills and qualifications

Academic degrees from third countries are formally recognised through a procedure of "academic validation" at an academic institution. The recognition of formal vocational qualifications is subject to highly complex recognition procedures, which differ significantly from country to country or even between the regions within one country. What all these procedures have in common is that they are carried out on a case-by-case basis and often appear to be lengthy, complex and non-transparent. A simplification and acceleration of the recognition procedures with full quality assurance represents a decisive step towards a better functioning of skilled immigration.

Provision of “pre-migration integration measures” in countries of origin

In addition to the integration into the labour market, the social and cultural integration of skilled migrants should be promoted prior to their move to the destination country as well. As a broader package, the preparatory measures should ensure a friction-less transition into labour market and society. They should include the establishment of one-stop-shops for vocational training and for organising all migration-related procedures; advice and support for administrative processes and language and preparatory integration courses.

Establishment of skills and training partnerships with countries of origin

Competition for skilled workers is expected to increase in the future, both within Europe and on a global scale. The number of people who meet the skills requirements from the outset will not be sufficient to cover the overall demand. Appropriate qualification, bridging and upskilling measures will be necessary. Investment should therefore be made in establishing skills and training partnerships with a manageable number of partner countries. These partnerships should include both programmes for upskilling and programmes for full vocational training according to the standards of receiving countries' labour markets. They should be designed in a way that they ensure that the cooperation also benefits the partner countries by further developing their own vocational training systems and by creating incentives for graduates from joint programmes to take up occupation or start a business in their home country. Thus, strategies for skilled migration must also guarantee migration control. The question of return and readmission must be resolved in a spirit of partnership and satisfactorily for both sides. Close economic and development cooperation in the framework of migration partnerships can be an important precondition for such cooperation.

Establishment of selection criteria for training and skills partnerships

The immigration of skilled workers will place ever increasing demands on the matching of educational and vocational training systems. Such matching can only be achieved through intensive cooperation with countries of origin. Resources must be bundled and used in a targeted manner. The list of possible new partner countries for the immigration of skilled workers should therefore not be too comprehensive. Their selection should be based on the application of certain criteria: Match between skills requirements and supply of skilled workers; general level of education and comparability of educational and vocational training systems; national language and "bridge language"; demographic situation; economic and labour market situation; perceptions and attitudes of relevant actors in the country of origin towards cooperation; existence of functioning administrative structures; experience with cooperation agreements with the EU; and country size, geographical proximity and existing contacts.

Implementation of an accompanying communication strategy

The success of a strategy for skilled immigration will crucially depend on the successful implementation of an accompanying communication strategy. The strategy should clearly distinguish between the migration of skilled workers and other types of migration; identify and communicate existing skills needs of companies to the public and convey the macroeconomic significance of an adequate labour supply; emphasise positive impacts of the recruitment of skilled workers on the development in countries of origin; clearly communicate the principles of the strategy for skilled immigration in countries of origin; emphasise the advantages of socio-cultural diversity but also discuss openly all concerns related to social cohesion and potential impacts on the domestic population.

