Labour Shortages and the Need for Immigrants

A Review of Recent Studies
Metropolis Conference Workshop 48
September 10, 2000

Marco Doudeijns
OECD - Paris
Purpose and Scope

Purpose: advance the analysis of the role of migration in alleviating labour shortages

This report contains a review of important studies that recently have been carried out in several OECD countries on:

- estimates of the scale of current and future labour shortages
- the need for labour immigration
Why are the causes of labour shortages relevant to immigration policy?

- Employers report labour shortages (surveys, media)
  - but may overestimate the problem...
  - …and their adjustment behaviour, such as offering higher wages or recruiting lower skilled workers may not solve shortages

- Clarifying the causes of shortages is important:
  - immigration might not address the underlying causes
  - to help in identifying future shortages
  - immigration can be balanced with other, e.g., social and employment policies (efforts linked to German Green card)
Why are the causes of labour shortages relevant to immigration policy?

The reviewed studies identify:

+ Rapid technological change: workers lack opportunities to invest in learning needed skills
+ Slow adjustments in the labour market
+ Mismatch: wrong education decisions result in too few doctors and engineers
+ Lacking mobility on the part of the workers
+ Institutional and demographic causes (*invalidity, retirement, female participation rate*)
Studies on the future of labour shortages and immigration: some results

- Special “global” studies on the need for selective labour immigration agree on welfare-enhancing effects of migration
  - Germany: law to regulate labour immigration.
  - United Kingdom: migration is positive - address skills gap.
  - Austria: migration for sustained growth but data are lacking.
  - Norway: temporary immigration the more flexible solution.
  - The Netherlands: no changes but facilitate skilled migration.
  - Australia: State Specific Migration Mechanisms to respond to state-specific shortages
Studies on the future of labour shortages and immigration: some results

- Analysis of shortages on sector-level
  - international comparison: nurses and education
  - Quantitative estimates for IT sector (Australia - CIE, United States - Dept. of Commerce, Germany - ‘Green Card’)

- Forecasts by occupations
  - Occupational outlooks indicate career perspectives (Australia, Canada, Netherlands, United Kingdom)
  - France: shortages forecast on occupational age-structures

- Skill Shortage Lists to facilitate labour migration
  - Australia, Austria, New Zealand, United Kingdom

- Other - Quotas
  - Portugal, Italy, Spain
Conclusions

- Employers report shortages at all skills levels
  - international comparison: shortage occupations differ across countries and across regions
  - also for low and medium qualified workers
  - at macro-level shortages and unemployment
  - availability and quality of data insufficient to indicate size of shortages in sectors/occupations

- Large portion of working age population inactive
  - how many of them are qualified to fill vacant jobs?
Conclusions

- Great diversity in the reviewed studies:
  - no universal concept of labour shortages
  - recruitment difficulties motivate selective migration
  - long term effects of such policies unclear
- Some countries give no important role to migration...
  - *Belgium, Denmark, Netherlands*: no need to change existing practices
- Or emphasise its contributions very explicitly
  - *Germany*: need for temporary highly skilled immigration
  - *United Kingdom*: immigration has long-term benefits
Directions for further work

- **Extend the inventory of country studies:**
  - studies we have not seen or new studies (*e.g.*, eastern European countries)
  - explore ‘latent’ skills gaps (*e.g.*, like DfES in the UK)

- **Advance the analysis of the need for labour migrants**
  - accounting for potential resident labour supplies (*e.g.*, Dutch study on the labour market for scientists in the EU)

- **In-depth country studies and evaluation** (possibilities, limitations, long-term consequences)
  - of experiences with recruitment of foreign workers (*e.g.*, bilateral agreements with candidate EU-members)
  - of experiences with selective labour migration policies (*e.g.*, Canada, New Zealand)