Destination Marketing and Policies Attracting High-Skilled Individuals in Germany and Singapore

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Abstract

High skilled individuals (HSIs) bring valuable knowledge, skills, talent, and experience which are crucial to enhance innovation capacity and productivity. HSIs rarely compete with nationals in terms of access to public services and welfare systems. Their integration is usually not a major concern. Despite a growing anti-immigration climate, many countries still compete in attracting HSIs. Although they cannot change the physical environment, traditions, culture and location, policies affecting HSIs are of governments’ responsibility. Particularly migration policies are part and parcel of marketing efforts to attract HSIs. In this article, we compare approaches and programmes of Germany and Singapore, targeting HSIs. These two countries often lead the list of most attractive HIS destinations. This study highlights the main points of policymaking for attracting HSIs.

Keywords: HSIs; migration policy; attraction programme; Germany; Singapore.

Introduction

Two noticeable features of international labour mobility are that HSIs show much greater tendency to migrate than the less educated, and tend to agglomerate in countries with high rewards to skill (Dao et al., 2016; Džankić, 2018; Grogger & Hanson, 2011; Kabók et al., 2017; Kompa & Witkowska, 2018; Ud Din et al., 2018). Nevertheless, global evidence on most relevant factors that help attract HSIs is, to some extent inconclusive. This can partially be explained by self-selection mechanisms as HSIs are more responsive to economic prospects and conditions abroad, have more exchangeable skills, a greater ability to mine information, etc. However, it is also because of skill-based selection involved in host country immigration policies.
The global competition for HSIs is tough because inflows of HSIs make immigration often look economically beneficial and politically acceptable in destination countries (Boeri, 2012). HSIs bring valuable knowledge, which is crucial to enhance productivity levels, and they do not compete with nationals in their access to the public services and welfare, while also integrating faster in the labour market (Hassan & Othman, 2018; Hassan et al., 2018; Strielkowski et al., 2018).

The US is the premier example of a country that attracts the vast majority of HSIs and other special skilled movers around the world (e.g. Martin, 2019). Other English-speaking developed economies – UK, Australia and Canada – also attract a large number of HSIs. Hence, the rest of the world selects HSIs from a smaller pool for a host of reasons. In particular, these reasons include limits of the labour market offering restricted opportunities for HSIs. Language difficulties also play a role here. The role of governments has become more complex as they seek to balance national and international interests and duties. Governments cannot change location, climate conditions, traditions and culture, which often affect the decisions of HSIs to migrate; however, they bear primary responsibility in migration policies and programmes aimed at attracting HSIs. In this paper, we consider the approaches and programmes of Germany and Singapore aimed at receiving HSIs. The rationale for choosing Germany and Singapore for this research is based on the common features of these two powerful economies, in particular 1) historically migrants played an important role in the economy of both counties; 2) the need to attract HSIs is on the agenda for both countries mainly due to two reasons: decreasing fertility rate and increasing old-age dependency rate; 3) Germany and Singapore are highly developed economies where English is not 'native' language, which exhibits differences in HSI attraction policies: 1) these two countries exercise different administrative systems and talent attraction policies; and 2) they have achieved different degrees of success in attracting HSIs from abroad.

Related literature
There is no established universal definition of HSIs. However, the literature identifies three major and overlapping characteristics of HSIs: work experience, the type of job performed, and wage. In some studies level of education is also emphasized (Iredale, 2001). According to the Organization for Economic Cooperation and Development (OECD), HSIs should be defined as highly skilled specialists, specialized technicians or tradesmen and women, independent executives and senior managers, investors, business people, “key workers”, and subcontract workers (OECD, 2001).
A broad discussion on the driving factors attracting HSIs has been for long time on the research agenda. The central theoretical framework for researching human capital flows dates back to at least John Hicks (1963), who mentioned that “differences in net economic advantages, chiefly differences in wages, are the main causes of migration.” Indeed, the US and Canada, for instance, have a very wide wages distribution, low tax levels and progressivity, which essentially contribute to their ability to attract HSIs particularly compared to most OECD countries, including many high-income European countries (Grogger & Hanson, 2011; Roohi, 2017).

The typical model proposed by Borjas (G. Borjas, 1987; G. J. Borjas, 2013) sought to explain the self-selection of immigrants by skill level based on the Roy (1951) model. Roy highlighted that migration analysis should be limited to the long run. In the short run, under any conditions, employees will not switch jobs just because their wages are likely to be increased. However, “if they are rational, they will consider the costs incurred by such a change and the differences in the “net advantages of alternative occupations”. In the long run, an employee can incur no such costs as he or she can find a job near his own home. Certain aspects of current high-skilled migration patterns can be explained with the use of this model. (Strielkowski et al., 2018)

Recently there has been a burgeoning literature on high skilled migration and migration policies attracting such individuals (e.g. Ahl & Czoske, 2018; Chaloff & Lemaître, 2009; Consterdine & Samuk, 2018; Czaika, 2018; Danaj et al., 2018; Hanson & Slaughter, 2016; Karachurina et al., 2018; Rehák & Dudová, 2018; van Meeteren & Pereira, 2018; Beqo, 2019; Samuk et al., 2019). For example, Cerna (2014) has researched the policies for attracting HSIs in France, Germany, Sweden and the UK from the late 1990s to 2014 and has drawn three main directions of the role of political economy actors in attracting HSIs. The first group of studies largely based on studies of Freeman (1995, 2006) indicates that labour market actors in the form of unions or associations of employers can affect national immigration policies. The second strand, according to Cerna (2014), emphasises that labour immigration policies vary decently on institutional factors (Bucken-Knapp, 2009; Caviedes, 2010; Menz, 2009). Institutions in the form of rules govern decision-making in a country and play an important role in HSIs flows. For instance, the recent changes to the UK Points-Based Tier system (increase in minimum wages) resulted in a reclassification as to who would be eligible for highly skilled migrant visas.

Conversely, in the Netherlands the minimum wage to qualify for a highly skilled migrant visa had to be reduced so that nurses and
doctoral researchers could enter with skilled migrant visas (Bailey & Mulder, 2017). The third stream indicates the research findings on the influence of policy coalitions on immigration flows. Hiscox (2002) defines a coalition as “some type of political activity which seeks to influence policy (e.g. voting or lobbying)”.

The research of Cebolla-Boad and Miyar-Busto (2017) on the factors affecting the attraction of HSIs has covered the influence of pull factors unrelated to immigration policies in selected 18 European countries during 1999-2013. Analysed pull factors included dimensions of returns to education and welfare configurations. Their findings have revealed that wages are the most vital factor attracting skilled migrants from abroad. Other drivers, such as unemployment and the degree of innovativeness of the country appeared to be much less significant. An important finding is that the welfare magnet hypothesis according which migrants of various profiles are sensitive to provision of public welfare and fiscal burden (G. J. Borjas, 1999), has been confirmed. Indeed, the increase in social expenditure attracts more HSIs from abroad. Fiscal burden on the host country shrinks particularly in case immigrants do not tend to stay in the country for a long time.

Researching the effect of a worldwide liberalization of high-skilled migration, Docquier & Machado (2013) highlighted that except for migration policy, economic incentives (taxation and social contributions, political rights, skill premium, economic freedom and others) and private migration costs such as xenophobia in the destination country, linguistic barriers, discrimination practices, etc.) are ruling the size and skill structure of migration flows.

Moretti (2012) has outlined that when considering migration factors, agglomeration effect matters, which means that an employee’s productivity is improved by being near to or working with many other HSIs in analogous sectors or occupations. In fact, due to agglomeration effects, the existing stock of HSIs increases the motivation for other HSIs to migrate to the same area.

The research of Grogger and Hanson (2011) has shown that schooling opportunities can provide an entry into desired labour markets for talented individuals. Kato and Sparber (2013) have demonstrated that drops in the availability of visas for HSIs made American universities less attractive to foreign students whereas foreign students, mostly from East and South Asian countries, comprise almost a quarter of the student population in Australian universities who also integrate easier to the Australian labour market.
Finally, cultural and psychological factors also play role in attracting HSIs. Kotler & Gertner (2002) mention that modern countries are in a sense brands that compete in the market not only for tourists, factories, and businesses but also for talented people. Backman & Nilsson (2018), for example, found out that, in the Swedish context, cultural environments are strategic resources with the potential to improve regional attractiveness pulling high-skilled individuals from all over the country. Hence, migration of HSIs is a multi-dimensional issue of which we discuss the policy dimension and compare German versus Singaporean policies to each other in the following chapters.

**German approaches to attract HSIs**

Labour market in Germany has been reliant on immigrant labour for a long time (Afailal et al., 2016). Prior to 1914, large numbers of Polish migrants worked in mining and agricultural industries, in particular, around one quarter of the population in Germany’s Ruhr region mining towns consisted of Polish migrants (McCook, 2011). Furthermore, from the 1950s to 1970s, large number of Turkish migrants contributed to the so-called “Economic Miracle” (Wirtschaftswunder) in Germany (Göktürk et al., 2007). During the time of the oil crisis in 1973, Germany started to face a labour force surplus. After that, instead of migrating for work purposes, many migrants attempted to enter Germany for the purpose of family unification (Şen, 2003). Initially, the German government and the German population perceived migrants only as guests. This appeared to be one of the reasons why integration of migrants was generally not on the agenda between 1914 and the early 2000s.

Germany is among the economically most developed countries. Similar to other advanced economies in the EU, Germany recently saw negative GDP growth (Statistical Office of the European Communities, 2017). At the same time, the country quickly entered the path of recovery from this brief recession. However, demographic statistics demonstrate challenges for the domestic labour force. One challenge comes from the low fertility rate in Germany. According to the last World Bank data, fertility rate in Germany in 2017 was 1.57 compared to world average of 2.42, and further to1.79 in the UK, 1.92 in France, 1.85 in Sweden, and 1.66 in Netherlands (World Bank, 2017b). Another challenge is the high old-age dependency ratio which is a common problem for EU countries (Crespo Cuaresma, Lábaj, & Pružinský, 2014). In Germany 2018 it was 32.8 by 2018, higher than in the UK (28.6), Sweden (31.7), and France (31.6), though still lower than in Greece (34.1), Finland (34.2), and Italy (35.2) where this ratio is the highest (Eurostat, 2018).
In February 2000, in response to the lack of HSIs in the IT sector, a “Green Card” programme was launched (Werner, 2002). The scheme was the first effort to recruit such professionals from outside of the EU. Under the Green Card programme, German companies had to provide evidence that no qualified German worker was available to fill the vacancy. These circumstances forced then German IT employers to constrain the employment of foreigners to specific sectors.

After the Green Card Programme expired in 2004, the German government passed the far-reaching Immigration Act on the Residence, Economic Activity and Integration of Foreigners in the Federal Territory, which included the rules on the entry and presence of foreign workers, including HSIs in Germany. The law’s approach to foreign workers is based on employment offers. Foreign workers willing to find a job in Germany must have a job offer and must apply for a residence permit. Under Section 18 of the Immigration Act, approval from the Federal Employment Agency is obligatory in order for a residence permit application to be accepted. Under section 19 “highly qualified foreigners” may be granted a permanent residency without approval from the Federal Employment Agency (Federal Law Gazette, 2017). HSIs must meet the following three general conditions to enter German market through Section 19. First, the applicant must provide evidence that he can integrate well into German society. However, “evidence of integration” does not include a requirement regarding German language proficiency of the applicant or his family members. Second, applicants must state that they can support themselves without public benefits. Third, their entry must constitute an “individual case” under the Immigration Act. HSIs who meet these conditions are immediately entitled to unrestricted residence permit. However, it should be noted that Section 19 emphasizes entry for only the most highly skilled workers, which means that highly educated workers at early phases of their careers will face difficulty meeting the relatively high threshold set under Section 19. HSIs who manage to secure a settlement permit upon first entering Germany under Section 19 obtain substantial rights and privileges. In particular, settlement permits are not limited in time or scope and are not affected by job change. Further, family members are also excluded from proof of German language proficiency before entering the country and are allowed to seek and secure employment on their own without restriction. However, the spouse of a residence permit holder must show evidence of “basic” German language skills before entering the country.
Skilled immigrants who did not apply for entry under Section 19 can also apply for a settlement permit after five years of legally residing in Germany, provided additional conditions are met. Under the Immigration Act, foreign graduates from German universities can also apply for a residence permit in Germany under Section 18.

The expansion of the EU in 2004 contributed to considerable changes in German attitude towards migrants after a wave of low-skilled immigrants from Eastern European countries entered the UK and Spain. Germany expressed a special concern also after the poorest countries in Europe, Bulgaria and Romania, joined EU, even though both Germany and Austria were given the right to restrict migration from new member states for seven years – a term that expired in May 2011. As a result of this expansion, many low-skilled workers entered the labour markets of more developed EU countries. Under those circumstances regarding the EU labour market, the Blue Card system constituted a new effort to attract HSIs from outside the EU.

The Blue Card Directive was implemented in Germany by 2012. Blue Card holders can apply for a permanent settlement permit after just 33 months, compared to typical five years, and that period is reduced to 21 months if the migrant can prove sufficient proficiency of the German language. Family members of Blue Card holders can also legally enter Germany and seek employment (Kolb, 2014). Particularly, policies in Germany have been generous towards students and researchers applying for entry under the Blue Card scheme.

A 2015 European Commission Internal Assessment of the Blue Card scheme found the results to be a major disappointment, as the number of Blue Cards issued has been small and considerably below what had been anticipated (European Commission, 2015). Further, the European Commission has mentioned another flaw of the Blue Card programme in that “The level of coherence and harmonisation among the EU member countries with respect to rules for skilled migrant from outside the EU across member countries and the facilitation of intra-EU mobility – a clear EU-added value – remains limited” (European Commission, 2015). The European Commission also summarized two major shortcomings in designing and implementing the Blue Card programme: First, the scheme is tied to specific employers, so if individuals lose or change their jobs they are required to apply for a new Blue Card. Second, the Blue Card applies only to employees, but excludes entrepreneurs.

By 2013, Germany had issued the largest number of Blue Cards amounting to 90% of all EU Blue Cards highlighting the failure of the
programme to equally distribute non-EU HSIs across Europe (Becker & Teney, 2018; European Commission, 2015).

In spite of strong efforts taken over the past decade to attract HSIs to Germany, evidence of the implementation of these policies has shown mixed results. The government of Germany is unenthusiastic to further develop policies for attracting more HSIs from outside the EU. This reluctance is both related to on-going problems in the implementation of relevant attraction programmes and the unwillingness of many companies to employ foreign HSIs, even when facing domestic labour shortages. According to OECD only two of every ten companies are willing to hire HSIs from abroad (OECD, 2013). The application procedure for foreign HSIs, particularly from non-EU countries, remains complicated and takes three to six months. Furthermore, few local immigration and employment offices communicate other than in German.

The complexity of the laws on migration and a lack of international orientation of migration services contributes to relatively difficult application procedures for HSIs, especially from non-EU countries. The implementation of an immigration policy towards HSIs is also complicated due to the federal system of governance in Germany, under which authority is divided among the central government in Berlin, the 15 states (länder), and local authorities. Such a governance structure can cause inconsistency in the application of procedures related to labour migration, stemming from the divergence in approaches taken by central labour authorities, states and local Foreigners’ Offices. According to a survey conducted by the German Chamber of Commerce, complicated laws and application procedures are an obstacle for attracting foreign HSIs to the German labour market (Laubenthal, 2014). The division of authority between German authorities is also hampering the mutual recognition of foreign qualifications in Germany that could be the reason why German companies have been unwilling to employ HSIs from non-EU countries, since their qualifications may not be recognized (Suder, Riviere, & Lindeque, 2019).

Programmes for HSIs in Singapore
Singapore, as a small island city-state located on the intersection of marine trading routes connecting South-East Asian nations, has always been closely entwined with migration. The population of Singapore rose quickly after the city became a British colony in 1819. Almost all population growth before World War II was due to immigration whereas the local population often experienced negative growth as a result of high mortality rates and a depressed birth rate due to highly imbalanced sex ratio in the nineteenth and
early twentieth century. Thus, Singapore welcomed many migrants (Yeoh, 2007). After Singapore became an independent state in 1965, immigration decreased. Though immigration increased again from the 1970s to 1980s, when the size of the non-resident population doubled. The renewed inflow of migrants into Singapore was driven by its export-led industrialization, which was the first phase in the city’s path towards a developed country.

During the 1980s and 1990s, Singapore aimed to transform its economy away from manufacturing towards services, particularly finance, technology, and other knowledge-based sectors. This target enhanced the need for HSIs, as the increasing demand for knowledge workers could not be filled by home-grown workers.

It should be noted that like many other developed economies, Singapore faces a worsening demographic crisis. The city’s fertility rate has been constantly decreasing. According to available statistics of the World Bank, fertility rate in Singapore was 5.76 in 1960 which had dropped to 1.16 by 2017, the lowest fertility rate ever recorded (World Bank, 2017b). Old-age dependency ratio has been also increasing between 1960 and 2017. In 1960 it was 3.73 and by 2017 it had reached a peak rate of 18.95 (World Bank, 2017a). Thus, in order to address Singapore’s adverse demographic trends and labour shortages, the government turned to foreign workers.

Singapore began to actively attract HSIs in the late 1980s. The first step taken by the city in this direction was the launch of Eminent Entrepreneurs/Professionals Scheme in 1988. This scheme aimed to encourage extremely qualified individuals to relocate to Singapore from China and Hong Kong by offering them permanent residence (Iwasaki, 2015).

During the 1990s, Singapore established a new set of policies aimed at attracting HSIs. In 1991, the International Manpower Programme was launched. Five years later, in 1995, the Foreign Talent Unit in the Prime Minister’s Office was created. In 1998, the Government set up the Singapore Talent Recruitment (STAR) committee to develop and implement strategies for recruiting and retaining HSIs from abroad. As part of this task, STAR helped to transform Singapore into a global hub for HSIs (Low, 2002). By 2000, Singapore had fundamentally put two key components of its approach of attracting HSIs into place. The first component included creating an overall platform for attracting HSIs to Singapore and the second was the Employment Pass System, which enables HSIs to receive work permission and residency more easily (Adams&Ahsan, 2014).
After 2000, Singapore also put complementary institutions and policy initiatives incorporating students, academics, and foreign businesses in place. In 2002, the Government of Singapore launched the Global Schoolhouse Initiative aimed to get foreign universities to establish facilities in Singapore and attract foreign students to the city (Lo, 2014). The same year, the government of Singapore established the Agency for Science, Technology and Research (A*STAR), whose mission is to support innovation in the economy by operating as a bridge between R&D activities and the industry. Top foreign HSIs are suggested research funding including support for their spouses and children. In addition, A*STAR runs a scholarship programme to foster high-level scientific and technological talent.

A vital component of the overall approach to attract and develop talented individuals became Contact Singapore which operates as a comprehensive job web portal consisting of local and foreign employers, while also serving as a one-stop source of information for foreigners and overseas Singaporean students, business owners and investors. Further, the “Work Holiday” internship programme was established in 2007 aimed at attracting exceptional undergraduates and recent graduates aged 18–25 to work in the city.

Finally, as a part of its effort to establish a broad platform for attracting overseas HSIs, Singapore has introduced measures for developing living conditions including world-class infrastructure with respect to education, a clean environment; transportation and health care; good-quality cultural facilities; and low taxes on high-income earners. Current urban development projects aimed at branding Singapore as a culturally vibrant “Renaissance City”, “Great Place to Live, Work, and Play!” are to a large extent driven by the desire to attract HSIs (Yeoh & Lin, 2012).

In order to manage low-skilled labour and HSIs differently, an Employment pass system was developed according to which low-skilled workers receive Work Permits (WPs), while more skilled workers and HSIs are provided by several different kinds of employment passes. Foreign HSIs holding an Employment Pass (EP) and other passes for skilled labour (S Pass and Q Pass) enjoy considerably greater rights and privileges than do those with ordinary WPs.

HSIs fall mainly into EP holders group including well-qualified talent, in particular, specialists, managers and executives. S Pass, Q Pass, and EP holders are allowed to hold permanent residence status; receive passes for their spouses and dependents; are not subject to employment quotas, and have an accessible path towards becoming citizens of Singapore. Companies employing such
individuals are further not required to pay the foreign worker levy. In response to growing global competition for HSIs, in 2007, the government of Singapore introduced the Personal Employment Pass (PEP). Only top specialists, professionals, managers and executives are entitled to the PEP (Yeoh & Lin, 2012).

Nevertheless, although Singapore has succeeded in attracting HSIs, the large inflow of migrants between 2000 and 2010 caused a backlash against migrants among local population. As a result, the government has increased income thresholds for the EP, the S Pass, and the Q Pass, and introduced more stringent conditions regarding the entry of family members (Iwasaki, 2015).

**Conclusions**

In this article, we have listed the approaches and programmes of Germany and Singapore aimed at attracting HSIs. These two countries, nevertheless located in different regions, have several important features, which provide a rationale to compare their HSIs attraction approaches. Immigrants for long time have been essential contributors to the economy of both countries; both of them are non-native English-speakers, and both are also experiencing depressing demographic trends. However, as discussed above, they show different success levels in attracting HSIs.

The primary approaches of both Germany and Singapore to accepting HSIs to the country labour market are employment-driven, under which a HSI has to secure a company job offer. In Germany, HSIs must pass a labour market test, whereas S Pass, Q Pass, EP, and PEP holders in Singapore, do not face employment quotas.

Administrative approach to attract HSIs in Germany is de-centralized. A federal system of government hampers effective attraction of HSIs to Germany due to possible inconsistency in the application procedures related to labour migration, stemming from the divergence in approaches taken by central labour authorities, states and local Foreigners’ Offices; whereas, multiple agencies, such as MOM and A*STAR, play a key role in attracting HSIs to Singapore but operate effectively developing an integrated platform for attracting talents to the city.

Both countries succeeded in attracting HSIs. It should be noted there is a lack of fresh statistics on HSIs in both Germany and Singapore that makes it more difficult to assess the effectiveness of policies to attract HSIs. However, according to World Bank data migrants stock in Germany during 1990-2015 has increased from 7.51% of the population to 14.87% and in Singapore from 24.11% to 45.39% during the same period (World Bank, 2019). According to Global Talent
Competitiveness Index 2019 in terms of ability to attract talents measured regarding GDP per capita, quality of life and environmental quality, Singapore ranked at number 1 position with a score of 87.39 while Germany ranked 20 with a score of 64.85 (INSEAD, 2018).

It should be noted, however, that apart from programme approach and administrative systems, the quality of services plays also an important role in attracting HSIs.

It could be concluded that the application procedure in Singapore is less bureaucratic for both employers and employees who can apply online. Singapore also initiated complementary institutions and policy initiatives regarding foreign students, academics, and businesses. Singapore has introduced measures for developing living conditions which included world-class infrastructure with respect to a clean environment; transportation and health care; good cultural facilities; and low taxes on high-income earners.

In Germany, on the other hand, services are not completely harmonized regarding the necessities of effective implementation of HSI-attraction programmes. Only a few local immigration and employment offices communicate other than in German language. Lack of mutual recognition of foreign qualifications in Germany also explains to some extent why German companies have been unwilling to employ HSIs from non-EU countries.

Current research has contributed to a broader understanding of the factors attracting HSIs emphasizing that a more favourable approach should be based on integrative efforts of a large body of institutions and offices at all levels. Furthermore, when attracting HSIs, overall cultural climate and quality of migration services should be assessed. This research reveals an important avenue for future research on the possibilities of attracting talents to other European and Asian countries.

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