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GIVING CITIES AND REGIONS A VOICE IN IMMIGRATION POLICY CAN NATIONAL POLICIES MEET LOCAL DEMAND?

By Madeleine Sumption

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Executive Summary

Immigration policies are typically designed and implemented at the national level, even though economic and demographic circumstances may vary widely across cities and regions. Immigrants are likely to encounter different levels of economic growth, employment opportunities, and pay in different local labor markets within their countries of destination. Meanwhile, employers find it much easier to attract skilled immigrants to some areas than others. Large and fast-growing metropolitan areas are natural magnets for both immigrants and their native-born peers, while rural areas and small towns tend to attract fewer immigrants, even when employers have vacancies to fill.

Most immigrants to advanced industrialized economies have the right to live in any area of the country. Some immigration routes, however, channel new arrivals toward particular destinations where their labor is thought to be in high demand. These routes fall into two major categories: (1) employer-sponsored immigration and (2) immigrants selected through regional nomination programs that have become flagship policies in the immigration systems of Australia and Canada.

Employer-sponsored visa policies implicitly direct foreign workers to areas where their skills are in demand, since applicants are allowed to immigrate only if a local employer is willing to hire them. To the extent that jobs are genuinely available, an efficient employer-sponsored immigration program should be able to satisfy much (if not all) available demand. To ensure that this is the case, some such programs are further customized to the needs of particular regions. Examples include policies that allow employers in lower-income regions to pay lower wages, or that remove visa or licensing restrictions on health professionals in rural areas that may otherwise find it hard to attract these workers. Some governments have also encouraged international recruitment through this system by hosting job fairs abroad for local employers.

Two countries—Australia and Canada—have gone even further to channel immigration to nontraditional locales and to tailor immigration policies to the perceived needs of individual states and provinces. In both cases, the national governments have delegated a certain level of authority to subnational jurisdictions to select their own workers. Most of these visas are provisional, requiring immigrants to work in the region that nominated them for a given period (typically up to two years) before they qualify for permanent residence, which lifts all restrictions on where they live.

Employer-sponsored visa policies implicitly direct foreign workers to areas where their skills are in demand.

These subnational visa programs allow regions and localities that are not traditional immigration destinations to attract workers who would otherwise have gone elsewhere. They are first and foremost a tool for admitting workers at the middle- or low-skill levels. Higher-skilled applicants are usually eligible for national-level immigration channels and thus have no incentive to apply for visas that restrict their mobility within the country. Given wealthy nations' ambivalence toward less-skilled immigration, region-specific visa programs have the appeal of allowing countries to admit less-skilled workers on a limited basis—and only in areas where the demand for them is thought to be strongest. In addition, such programs allow subnational governments to make decisions about immigration policy in conjunction with other policy areas they may control, such as workforce development, housing, infrastructure, regional economic development, and—importantly—immigrant integration. In Canada the growth of subnational selection programs was a response to an inefficient and heavily backlogged federal selection system in which processing took several years.

Meanwhile, programs that tie immigrants to particular areas present some risks. First, they add complexity to already complicated immigration systems. Second, immigrants choose destinations within a country in



large part because they believe they will do well there. Deciding factors may include family ties, social networks, and available jobs. Disregarding immigrants' market-based decisions could undermine their economic prospects—and economic contribution. As a result, regions and localities seeking to attract immigrants in a context of high unemployment may be best off relying on “soft” policies to bring in new residents—for example, by helping with the recognition of foreign qualifications, supporting migrant entrepreneurship, and attracting international students who may choose to stay on after graduation.

I. Introduction: Why Do Local Needs Differ?

Immigration policy is typically developed and implemented wholly at the national level. National governments take responsibility for key decisions on which immigrants to admit, the terms and conditions of immigrants' stay, and pathways to permanent residence and citizenship. But many of immigration's economic impacts are felt most vividly at the local level, in the places where immigrants live, work, access services, and—in some countries—pay taxes.

Demand for immigrants' skills and labor can vary considerably across regions and localities. Geographic clusters of industrial activity, the local availability of skills, and regional demographic trends all shape the demands of local employers. For example, the major financial centers of New York, London, and Frankfurt attract a disproportionate share of highly skilled professionals. Information technology (IT) clusters, such as Silicon Valley in the United States, and high-tech manufacturing centers, as in western Germany, demand specific skill sets. Away from the major cities, areas rich in natural resources—western Australia, the northern United Kingdom, and Norway's east coast, among others—post high demand for engineers and technicians, particularly during resource booms. Rural areas, meanwhile, employ the largest shares of agricultural laborers and often have significant unmet need for health professionals.

Even as many locales rely on immigration as an important source of labor, some find it easier to attract the right people—both from domestic and foreign labor pools—than others. The largest, most dynamic metropolitan areas in immigrant-destination countries tend to be magnets for immigrants across the skill spectrum. Such areas boast comparatively higher wages, more amenities, and denser labor markets that offer good prospects for career progression and provide opportunities for all earning members of a household.¹ Living in large cities can boost workers' productivity and career prospects—an important consideration for migrants, most of whom are young and still building their careers.²

Local policymakers, meanwhile, are concerned with immigration's impact on overall population. Rapid or unexpected population growth in high-immigration areas may put pressure on local infrastructure such as housing and transportation. By contrast, some low-immigration local economies face a vicious cycle of population decline and economic stagnation, as locals leave in search of better opportunities elsewhere. Such areas include sparsely populated and rural communities, as well as former industrial hubs gutted by the decline of the industries on which they once relied. As a result, local leaders in these areas sometimes see immigration as a way to jumpstart their economies by replacing the missing labor force. In Michigan, for example, Governor Rick Snyder recently called for the U.S. government to award 50,000 additional visas to lure immigrants to the ailing city of Detroit.

1 An Organization for Economic Cooperation and Development (OECD) analysis based on 2001 Census data finds that immigrants are concentrated in both higher-income and nonrural areas. See OECD, “Regional Aspects of Migration” in *Trends in International Migration: SOPEMI 2003 Edition* (Paris: OECD, 2004).

2 Enrico Moretti, “Local Labor Markets” in *Handbook of Labor Economics Volume 4B*, eds. David Card and Orley Ashenfelter (London: Elsevier Ltd, 2010), chapter 14, <http://emlab.berkeley.edu/~moretti/handbook.pdf>; Paulina Trevena, Derek McGhee, and Sue Heath, “Location, Location? A Critical Examination of Patterns and Determinants of Internal Mobility Among Post-accession Polish Migrants in the UK,” *Population, Space and Place* 19 no. 6 (2013): 671–87, <http://onlinelibrary.wiley.com/doi/10.1002/psp.1788/abstract>.



Against this backdrop, national and local policymakers in immigrant-receiving countries have often asked whether a uniform national immigration policy can accommodate the diverse needs of cities and regions, and how immigration might be used as a tool to address regional disparities in economic prosperity and growth. Immigration is often cited as a strategy to combat the decline of areas that are losing population due to aging and outmigration. In other cases, local and regional governments have called for a greater role in selecting the immigrants they receive, and have supported immigration policies that are consistent with regional development plans or specific industrial demands. In some cases, national and local policymakers have sought to influence immigrants' distribution to avoid concentrations that they believe may encourage segregation or put undue pressure on local infrastructure and services.

While policies that channel immigrants to particular locations may have economic benefits for those locations, they also pose risks. As Box 1 describes, places that attract few immigrants may do so because they offer few opportunities for economic and social integration. That these areas draw few immigrants may be no coincidence, simply reflecting the rational decisions of people who know they will do better elsewhere. Policymakers must therefore be careful as they design programs that help nontraditional destinations attract immigrants—and should be particularly wary of encouraging people to migrate to places where jobs are scarce (see Box 1).

While policies that channel immigrants to particular locations may have economic benefits for those locations, they also pose risks.

This report examines the extent to which immigration policies reflect local economic needs and interests, both with and without deliberate interventions to shape the regional distribution of immigration. It assesses the various ways that national governments, sometimes in collaboration with regional governments, have sought to influence where immigrants settle. In particular, the report discusses three types of immigration policies:

- Those that make no distinction between local areas and do not connect immigrants to a specific destination or job; under these policies, immigrants are free to choose their destination within a country. Such immigrant flows can generally be described as supply driven, and include family unification and free movement within the European Union and the Australia–New Zealand single-market area.
- National-level policies that implicitly account for local circumstances (despite limited input from local authorities themselves), because they either associate immigrants with specific jobs or vary eligibility criteria with local conditions. The most significant example is employer-driven labor migration.
- Policies that delegate authority to subnational governments more explicitly and/or give them a strong voice in the selection process, in some cases using the terms and conditions of visa and work permit policies to tie immigrants to specific locations that might otherwise not attract them.

The report asks how much national and subnational policymakers should intervene in immigrants' choice of destination. What can policymakers do to spread the potential economic benefits of immigration more widely? What are the risks of ignoring the market forces that push immigrants to some destinations over others, and how heavy handed should national and local policymakers be in shaping immigrants' destinations when market forces do not produce an outcome they like?³

³ The analysis focuses on economic considerations, and does not discuss the political motivations—to boost the size of the local electorate and/or increase its weight in national legislatures, for example—that may shape local attitudes.



Box I. Can Immigration Combat Urban Decline?

Immigration is often cited as a means to combat the consequences of declining populations, including a lower tax base; difficulties maintaining local public services and infrastructure, especially in cities designed for much larger populations; a reduced pool of qualified workers for local businesses to draw upon, particularly at the middle- and high-skill levels; fewer services and amenities such as shops and restaurants; and decaying housing stocks (as homes stand empty). These issues can lead to a vicious cycle, in which declining areas become less attractive places to live and businesses locate in more vibrant places where they will be able to attract employees. In theory, immigration could help to jumpstart stagnant economies.

Population decline is not synonymous with high demand for labor, however. Some localities with declining populations also have very low unemployment levels, and sufficient vacancies for newcomers to fill if they are willing to move there. Examples include smaller towns that find it difficult to compete with more cosmopolitan destinations, or places like North Dakota (in the United States) or western Australia, where natural resource extraction booms have created high demand for labor in sparsely populated areas. Other localities are losing population precisely because their sluggish economies offer few opportunities. In Detroit, for example—the poster child of urban decline in the United States—unemployment averaged almost 20 percent in 2012.⁴ High unemployment has accompanied population decline in former industrial areas across Organization for Economic Cooperation and Development (OECD) countries, from Belgium's Charleroi and eastern German cities such as Halle an der Saale and Magdeburg, to Turin in Italy, Le Havre in France, and Katowice in Poland.

Any plan that relies on immigration to boost the fortunes of high-unemployment areas should be aware of the risk of poor integration. New immigrants are particularly sensitive to economic conditions and fare much better where unemployment levels are low.⁵ Indeed, studies on refugee resettlement have shown that initially placing immigrants in high-unemployment labor markets, even without constraining their subsequent movements, can undermine economic integration.⁶ Immigration policies that encourage immigrants to move to high-unemployment areas without work lined up would be particularly risky in this regard.⁷

- 4 U.S. Department of Labor, Bureau of Labor Statistics (BLS), "Table 27: Selected Metropolitan Areas, Metropolitan Divisions, and Cities: Civilian Labor Force Participation Rates, Employment-Population Ratios, and Unemployment Rates, by Sex, Age, Race, Hispanic or Latino Ethnicity, and Marital Status, 2012 Annual Averages," in *Geographical Profile of Employment and Unemployment, 2012*, Bulletin 2775 (2012): 229, www.bls.gov/opub/gp/pdf/gp12_27.pdf.
- 5 Pia Orrenius and Madeline Zavodny, *Tied to the Business Cycle: How Immigrants Fare in Good and Bad Economic Times* (Washington, DC: Migration Policy Institute, 2009), www.migrationpolicy.org/research/tied-business-cycle-how-immigrants-fare-good-and-bad-economic-times.
- 6 See Olof Åslund and Dan-Olof Rooth, "Do When and Where Matter? Initial Labour Market Conditions and Immigrant Earnings" (working paper 2003:7, Institute for Labour Market Policy Evaluation [IFAU], 2003), www.ifau.se/Upload/pdf/se/2003/wp03-07.pdf; Anna Godøy, "Local Labor Markets and Earnings of Refugee Immigrants" (working paper, University of Oslo, October 2013), www.sv.uio.no/econ/english/research/news-and-events/events/guest-lectures-seminars/Friday-seminar/2013/godoy2013.pdf.
- 7 Employer selection is an important way to mitigate the risk of poor economic outcomes, especially in cases where immigrants come with lower skill levels and language proficiency. For this reason, several countries that used to rely on supply-driven economic migration streams—most notably Canada, the United Kingdom, and Denmark—have recently stepped back from programs that admit migrants without a job offer in hand.



II. National Policies and Local Demand

Even seemingly uniform national policies can affect regions and localities in different ways. For example, policies that allow international students to join the workforce after graduation especially affect the university towns where many students choose to live after their studies. Family unification policies disproportionately affect areas with existing immigrant communities. Some national employment-based policies, meanwhile, customize programs to regional or local characteristics. This section examines such policies and their local implications.

A. Supply-Driven Migration

Neither national nor subnational policymakers directly decide the destination of most immigrants who arrive through “supply-driven” channels—such as family unification, free or illegal movement, and national-level points-tested programs that are not employer sponsored.⁸ The majority of immigrants to OECD countries arrive through supply-driven channels.⁹

Where do these immigrants settle, and are flows responsive to local economic circumstances? Immigrants choose locations within a country for a range of reasons, including family ties, local economic opportunities, the distance from countries of origin or major transport hubs, the availability of housing, and the local climate of reception. Two of these factors in particular—job opportunities and the presence of established immigrant communities—have been verified repeatedly in quantitative studies.¹⁰

Looking at the first factor, job opportunities, it seems that even supply-driven immigration responds to local economic needs and circumstances to some extent. Fast-growing and higher-wage labor markets attract more immigrants. Intra-European Union (EU) migration from new Member States to pre-2004 Member States, for example, is a supply-driven flow that is thought to be relatively responsive to economic circumstances at destination; large shares report moving for economic reasons,¹¹ their employment rates are generally high,¹² and many have been willing to take jobs below their skill level or in nontraditional, rural locations in order to find work.¹³

By contrast, the strong draw of established immigrant communities implies that economic opportunities alone are not decisive for all newcomers. In particular, immigrants coming through family unification

8 Resettled refugees represent a distinct category of “supply-driven” migration because governments often decide their initial location but allow them to move elsewhere if they wish.

9 See data from OECD, *International Migration Outlook 2013* (Paris: OECD 2013), 25.

10 See, for example, Kao-Lee Liaw and William H. Frey, *Choices of Metropolitan Destinations by the 1995-2000 New Immigrants Born in Mexico and India: Characterization and Multivariate Explanation* (Ann Arbor, MI: University of Michigan Population Studies Center, 2009); Anna Piil Damm, “Determinants of Recent Immigrants’ Location Choices: Quasi-Experimental Evidence,” *Journal of Population Economics* 22, no. 1 (2009): 145–74; Olof Aslund, “Now and Forever? Initial and Subsequent Location Choices of Immigrants,” *Regional Science and Urban Economics* 35, no. 2 (2005): 141–65; Catalina Amuedo Dorantes and Sara de la Rica, “Immigrants’ Responsiveness to Labor Market Conditions and Its Implications on Regional Disparities: Evidence from Spain” (IZA Discussion Paper 1557, Institute for the Study of Labor, Bonn, Germany, April 2005), www.econ-stor.eu/dspace/bitstream/10419/21333/1/dp1557.pdf; Hubart Jayert, Nadiya Ukrayinchuk, and Giuseppe de Arcangelis, “The Location of Immigrants in Italy: Disentangling Networks and Local Effects,” *Annals of Economics and Statistics* 97/98 January/June (2010): 329–50.

11 By 2008 more than half of mobile European Union (EU) citizens in four of the top destinations for new EU citizens—the United Kingdom, Ireland, Spain, and Italy—reported moving for jobs. In France, Germany, and Sweden—all countries with high levels of family migration—more EU nationals reported moving for jobs than did immigrants from outside the European Union (MPI analysis of EU Labour Force Survey, 2008 ad hoc module on migration).

12 Meghan Benton, Susan Fratzke, and Madeleine Sumption, *Moving Up or Standing Still? Access to Middle-Skilled Work for Newly Arrived Migrants in the European Union* (Washington, DC and Geneva: Migration Policy Institute and International Labour Office, 2014), <http://migrationpolicy.org/research/moving-or-standing-still-access-middle-skilled-work-newly-arrived-migrants-european-union>.

13 Madeleine Sumption and Will Somerville, *The UK’s New Europeans: Progress and Challenges Five Years after Accession* (London: Equality and Human Rights Commission, 2010), www.equalityhumanrights.com/uploaded_files/new_europeans.pdf.



channels and those with limited language skills¹⁴ are more constrained by the need to live in immigrant communities, whether or not these areas *currently* demand their labor.¹⁵ For example, Pakistani and Bangladeshi communities established in the north of England during earlier times of relative prosperity still attract family migrants even though job opportunities in these areas have deteriorated dramatically in the intervening decades.¹⁶

Immigrant admission policies have little influence over these immigrants' choice of location. But many cities and localities have developed strategies to attract them. These strategies include marketing initiatives and the provision of information services; assisting local employers and universities in recruiting abroad; and providing services to help skilled foreign nationals integrate—such as language instruction programs and assistance in the validation of foreign credentials for regulated occupations. Areas with good local universities have also sought out former international students as a particularly valuable source of future highly skilled immigrants. Examples of locally driven initiatives include the following.

- The Canadian province of New Brunswick has established a Population Growth Division to implement five-year strategies to attract new residents from abroad and within Canada; in 2007–12 initiatives included funding settlement services in rural areas, providing language instruction, helping employers recruit newcomers within and outside of Canada, and working with francophone community organizations to attract French-speaking residents.¹⁷
- New Zealand's Southland region responded to concerns about low population growth in the early 2000s with campaigns to promote Southland as a destination and help employers find candidates abroad. Further north, the city of Waitakere launched programs to encourage small and medium enterprises (SMEs) to employ new immigrants by providing initial wage subsidies, work experience opportunities, and language instruction.¹⁸
- The U.S. city of Detroit has worked with community organizations and the city's chamber of commerce to implement measures that include efforts to retain international students after graduation and programs to help immigrants gain recognition for foreign qualifications.¹⁹
- City and provincial governments in China have long competed to attract returning migrants trained abroad by helping them find high-quality jobs, particularly in research, and providing privileges such as tax breaks and arranging schooling for children.²⁰

Hard evidence on the impact of these programs is sparse, though qualitative and anecdotal reports suggest that some have succeeded in drawing new residents to nontraditional immigration destinations.²¹

14 Canadians in the United States, for example, are more likely to live outside of major immigrant destinations than other nationalities. Overall, immigrants with better language skills are less likely to choose immigrant enclaves. OECD, "Regional Aspects of Migration;" and Thomas Bauer, Gil Epstein, and Ira Gang, "Enclaves, Language, and the Location Choice of Migrants," *Journal of Population Economics* 18, no. 4 (2005): 649–62.

15 U.S. research using data from the early 1990s found that employment-based immigrants were more likely to move to low-unemployment areas than their family-based counterparts. See David Jaeger, "Local Labor Markets, Admission Categories, and Immigrant Location Choice" (paper presented at the IZA Migration Annual Meeting, Bonn, Germany, June 25–26, 2004), www.iza.org/conference_files/amm_2004/jaeger_d138.pdf.

16 For migration rates, see Cinzia Rienzo and Carlos Vargas-Silva, *Migrants in the UK: An Overview* (Oxford: Migration Observatory, 2012), www.migrationobservatory.ox.ac.uk/sites/files/migobs/Migrants%20in%20the%20UK-Overview_1.pdf; for unemployment rates, see UK Office for National Statistics, "Unemployment Rates by Government Office Region," www.ons.gov.uk/ons/interactive/unemployment-rate-by-region---dvc7/index.html.

17 Province of New Brunswick, *New Brunswick Population Growth Strategy 2013-2018* (New Brunswick: Province of New Brunswick, 2013), www2.gnb.ca/content/dam/gnb/Departments/petl-epft/PDF/PopGrowth/NBPG_Strategy_2013-18.pdf.

18 Paul Spoonley and Richard Bedford, "Responding to Regional Labour Demand: International Migration and Labour Markets in New Zealand's Regions" *International Migration and Integration* 9 (2008): 203–23.

19 Steve Tobocman, *Detroit's Immigrant Opportunity* (Washington, DC: Migration Policy Institute, forthcoming).

20 David Zweig, "Learning to Compete: China's Efforts to Encourage a Reverse Brain Drain," in *Competing for Global Talent*, eds. Christiane Kuptsch and Pang Eng Fong (Geneva: International Labour Organization, 2006).

21 See, for example, Julia Preston, "Ailing Midwestern Cities Extend a Welcoming Hand to Immigrants," *The New York Times*, October 6, 2013, www.nytimes.com/2013/10/07/us/ailing-cities-extend-hand-to-immigrants.html?_r=0.



B. National Policies Designed to Respond to Local Circumstances

One way to tailor national-level immigration policies to local needs is to rely on employer selection. Employers' requests for work permits—within the regulatory constraints that the immigration system creates—represent a unique metric of economic need that does not rely on statisticians' or policymakers' subjective (and error-prone) judgments and assumptions. Of course, this metric is not perfect. Employers may request more workers than policymakers deem necessary and, in the process, neglect locals in need of jobs. Or they may request *fewer* workers than are needed because they are not familiar with international recruitment or consider sponsorship to be a financial or administrative burden. SMEs, for example, may need immigrant workers but have inadequate HR resources and personnel to undertake the requisite paperwork. Despite these flaws, an efficient employment-based work-permit system at the national level should, on average, send foreign workers to the areas with the greatest demand.

Several countries have built geographic variation into their work-visa policies more explicitly, however, either to tailor policies to perceived local needs or to help employers in “less attractive” areas compete for workers.

These policies come in various forms. First, some national governments have developed lists of specific geographic areas that are given different treatment in the immigration system. In the United States, for example, physicians who agree to work in one of several thousand federally designated “Health Professional Shortage Areas”—often rural regions that have difficulty attracting domestic health-care workers—receive preferential treatment in the visa system.²² Australia provides restricted medical licenses for doctors to practice in Australia on condition that they work in an “area of need,” making them more easily eligible for temporary work visas; it also restricts access to Medicare reimbursements for former international medical students and foreign-trained physicians who have not worked for several years in an underserved area.²³

One way to tailor national-level immigration policies to local needs is to rely on employer selection.

Wealthy individuals seeking U.S. investor visas can qualify with a lower investment amount (\$500,000 instead of \$1,000,000) if they invest in a priority area—that is, a rural area or locale where unemployment is at least 50 percent higher than the national average. And New Zealand's points test rewards immigrants with a job offer outside of Auckland—essentially by allowing them to qualify for migration despite slightly lower skill levels than would be required to move to the capital city.

Second, work-visa regulations on the salaries of employer-sponsored workers may vary by region. In the United States employers commit to pay the prevailing wage—which varies by occupation and metropolitan area—in a system designed to ensure that wages reflect local labor market conditions. Required wages for entry-level computer programmers, for example, range from \$45,000 in Dallas to \$73,000 in San Francisco.²⁴ The rationale for this policy is that employers should offer wages at least as competitive as what local job applicants would expect, and that employers in lower-income labor markets should be able to compete “on an even footing” with their counterparts in the wealthier parts of the country. In the United Kingdom the Scottish regional government has argued that regional variation in typical income levels should be taken into account so that employers in lower-income regions may better

22 Specifically, they can receive a waiver of the two-year foreign residence requirement that comes with J-1 student visas.

23 Parliament of Australia, “Inquiry into Registration Processes and Support for Overseas Doctors,” March 19, 2012, www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=haa/overseasdoctors/report.htm, chapter 3.

24 MPI analysis of data from Foreign Labor Certification Data Center, “Online Wage Library,” www.flcdatacenter.com/oeswizard-start.aspx.



compete for the foreign workers otherwise drawn by employers in high-income London.²⁵ (By contrast, the government’s economic advisory body on immigration recommended against region-specific pay thresholds, on the basis that they would create unnecessary complexity—especially for employees who work in more than one location.)²⁶

Countries that facilitate immigration into occupations thought to face high demand...sometimes base policies on regional, rather than national, demand.

A handful of other policies seek to introduce a regional dimension to labor migration policies. For example, countries that facilitate immigration into occupations thought to face high demand (often using lists of “shortage” occupations in which employers are exempt from the labor market test)²⁷ sometimes base policies on regional, rather than national, demand. In Spain shortage lists are compiled separately for each region based on data on the occupations for which registered unemployed jobseekers are available;²⁸ work permits may also be restricted to a certain geographic area. In the United Kingdom a separate shortage list is produced for Scotland (although this is largely symbolic: the actual content of the shortage list is virtually the same as for the rest of the United Kingdom). In Italy, meanwhile, annual numerical limits for work visas are divided among regions and provinces following a consultation process in which regional governments can participate—although researchers argue that this process is based on weak analytics, is largely political in nature, and does not represent an effective response to regional labor demand.²⁹ The Russian Federation and Switzerland also distribute work-permit quotas on a regional basis.³⁰

25 Migration Advisory Committee, *Analysis of the Points Based System: London Weighting*, (London: Migration Advisory Committee, 2010), section 3.4, www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/london-weighting/report.pdf?view=Binary.

26 Migration Advisory Committee, *Analysis of the Points Based System: List of Occupations Skilled at NQF Level 6 and Above and Review Of the Tier 2 Codes of Practices* (London: Migration Advisory Committee, 2012), www.gov.uk/government/uploads/system/uploads/attachment_data/file/257273/Tier2-codesofpractise.pdf.

27 The labor market test is the requirement to advertise jobs to local residents before sponsoring a foreign worker to fill the post.

28 Fausto Miguélez and Óscar Molina, *Satisfying Labour Demand through Migration in Spain* (Madrid: European Migration Network, 2010), http://ec.europa.eu/dgs/home-affairs/what-we-do/networks/european_migration_network/reports/docs/emn-studies/labour-demand/satisfying_labour_demand_through_migration_in_spain_english_final_20110920_en.pdf.

29 Ester Salis, “Labour Migration Governance in Contemporary Europe: The Case of Italy” (working paper prepared for FIERI’s Labour Migration Governance in contemporary Europe [LabMigGov] project on “Which Labour Migration Governance for a More Dynamic and Inclusive Europe?” April 2012), www.labmig.gov.eu/wp-content/uploads/2012/04/LABMIGOV_WP1_Italy_Final-report.pdf.

30 Russian Federation, “Resolution on the Process of Defining Needs for Attracting Foreign Workers and Forming Quotas for Foreign-Citizen Labor in the Russian Federation,” Resolution no. 783, December 22, 2006, <http://moscow.ru/common/img/uploaded/postanovlenie783ot22.12.06.doc>; Fragomen, “Work Permit Quotas to Increase in 2011, with Some Numbers Reserved for EU/EFTA Service Providers” (Global Client Alerts, December 13, 2010), www.fragomen.com/switzerland-12-13-2010/.



Box 2. Where Do Refugees Settle?

Governments have traditionally played a role in choosing settlement locations for refugees and asylum seekers—particularly those who have no existing family connections in the country. Some have developed “dispersal” policies designed to distribute the financial and administrative responsibility for integrating refugees broadly across jurisdictions, while others identify locations based on municipalities’ willingness to receive refugees and provide initial settlement support (such as job counseling), as well as the local availability of housing and demand for labor.³¹ Australia, more unusually, has implemented pilot programs that explicitly seek to boost population growth in small towns that are willing to take refugees and can provide good job opportunities and settlement services.³²

While refugees are typically free to move to another area after being resettled in a particular locality, moving requires resources and knowledge that these individuals may lack. Some governments have also encouraged refugees to stay in the area in which they are settled by tying their access to services, benefits, or social housing to a particular location.³³ Research from Sweden and Norway has suggested that initial placement decisions—notably the availability of jobs in the areas chosen—can have long-term effects on immigrants’ economic integration even if they eventually move elsewhere (see Box 1).

III. Giving Regions a Voice in Selection

In contrast to the national-level policies described in the previous section, two major immigrant-destination countries—Australia and Canada—have made much more deliberate distinctions among subnational regions, in some cases delegating significant authority in the selection of employment-based immigrants. In both cases, national governments retain ultimate responsibility for issuing visas to foreign nationals, but allow subnational authorities either to nominate individual candidates for temporary or permanent residence, or to design admission criteria tailored to their province or territory’s specific objectives. In some cases, visas are valid only for work in the sponsoring region. Both countries have several different state- or province-specific visa streams, admitting (1) employment-based immigrants at various skill levels, (2) investors, and (3) family members of residents in low-immigration areas. The level of discretion states or provinces receive varies by program, ranging from full discretion to set selection criteria to the ability to nominate only those immigrants who meet nationally determined skills thresholds.

A. Regional Migration Programs in Australia

State-specific visas have grown steadily in Australia over the past 10 to 15 years, in response to low-immigration states’ desire to boost population growth and, in some cases, play a greater role in identifying local skills needs. Concerns that immigrants were too heavily concentrated in New South

31 For an overview, see International Catholic Migration Commission (ICMC), *Welcome to Europe! A Comprehensive Guide to Resettlement* (Belgium: ICMC, 2013), www.resettlement.eu/sites/icmc.ttp.eu/files/ICMC%20Europe-Welcome%20to%20Europe.pdf.

32 Margaret Piper and Associates, *Shepparton Regional Humanitarian Settlement Pilot* (Canberra, Australia: Department of Immigration and Citizenship, 2007), www.dss.gov.au/sites/default/files/documents/12_2013/shepparton_pilot_acces_0.pdf.

33 This is the case, for example, in Germany; while refugees in Denmark can only retain their social benefits after moving if the new municipality agrees to accept them. See ICMC, *Welcome to Europe*.



Wales, particularly Sydney, also played a role.³⁴ By 2012–13 state-specific visas made up 40 percent of the economic migration stream in Australia.³⁵ State-specific migration comes in various forms, including both employer-driven and government-selected flows.

First, states and territories can nominate prospective immigrants who narrowly missed the bar for Australia's national-level points test for a state-specific visa.³⁶ To receive a state nomination, applicants must generally work in an occupation specified in the state's "migration plan"³⁷ and may be required to have a job offer or local work experience. This is typically the case for international students and people who are already living in another Australian state, in part as a way to demonstrate their genuine intention to move to the region that originally sponsored them. State governments (and employers) can also proactively search for migrants that meet their requirements through an online applications database known as SkillSelect, in which prospective Australian immigrants indicate their willingness to work outside of traditional urban destinations. Australian "business" visas for investors and entrepreneurs are sponsored by states or territories, which may conduct personal interviews, review applicants' business plans, and seek out evidence that they have sufficient local knowledge and commitment to the region to which they are applying.³⁸

*Employers outside of the major immigrant destinations in Australia
can use dedicated employer-sponsored permanent visas.*

Second, employers outside of the major immigrant destinations in Australia can use dedicated employer-sponsored permanent visas, which closely resemble their national employer-sponsored counterparts but impose lower fees and training requirements on employers.³⁹ In 2011 the government proposed a series of Regional Migration Agreements with local jurisdictions that would allow employers to sponsor "semi-skilled" foreign workers in certain occupations, typically as part of a broader local economic development plan. The program is designed to focus on areas with low unemployment and high demand for labor, although to date only one has been negotiated, with Darwin in northern Australia.⁴⁰

Finally, Australian residents living in designated areas outside of the major urban destinations can sponsor a relative beyond their nuclear family if the relative falls just short of passing the national points test.

Three features of this set of programs are worth noting. First, the policies can be tailored to specific sectors or types of activity that a subnational government wishes to attract. For example, states are able to vet investors' business plans, and local authorities can help employers hire workers for specific infrastructure or development projects. Second, where both regional and national visas exist for the same categories of workers, the regional visa has lower skill thresholds or other eligibility requirements than national-level

34 Bob Birrell, Lesleyanne Hawthorne, and Sue Richardson, *Evaluation of the General Skilled Migration Categories*, (Canberra, Australia: Department of Immigration and Multicultural Affairs, 2006), 44, www.australiavisa.com/english/pdfs/news_letter_pdf/GSM_Report.pdf.

35 Department of Immigration and Citizenship (DIAC), *2012-13 Migration Program Report: Program Year to 30 June 2013* (Canberra, Australia: Department of Immigration and Citizenship, 2013), www.immi.gov.au/media/statistics/pdf/report-on-migration-program-2012-13.pdf.

36 This is achieved by giving points-test applicants an additional five to ten points (out of a required 60) for state nominations. Applicants receive additional points if they also studied outside of major cities.

37 A smaller number of visas is also available outside of these occupations, at the discretion of the state.

38 New South Wales, for example, strongly encourages applicants to make business trips to the state before applying. Note that before mid-2012, prospective investors had the option of either national or state/territory-sponsored investor visas.

39 At the time of writing, the regional employer-sponsored visa (subclass 187) was in a higher-priority processing category than the national level equivalent (subclass 186), but the processing time for both visas was the same, at six months. DIAC, "Skilled Migration Visa Processing Times," www.immi.gov.au/about/charters/client-services-charter/visas/8.0.htm.

40 It is *not* designed to combat population loss in declining areas that tend to have higher unemployment. Comments by DIAC's Peter Speldewinde, in Commonwealth of Australia, Senate Standing Committees on Legal and Constitutional Affairs, *Supplementary Budget Estimates 2011-12: Immigration and Citizenship Portfolio*, October 17, 2011, www.aph.gov.au/~media/Estimates/Live/committee/s376.ashx.



migration policies. This allows subnational governments to attract workers at the mid-skill level, even as national policies focus on high-skilled workers. As a result, regional visas are likely to be less useful for attracting the most skilled workers, who may be better off seeking a status that does not tie them to a particular area. Third, most are provisional in nature. They offer either a temporary visa that can be converted to permanent residence if migrants remain in the area that nominated them, or a permanent visa that can be revoked if they do not stay for at least two years.

B. Provincial Nomination in Canada

Provinces in Canada also have substantial and growing influence over immigrant selection—even more than in Australia. While Quebec gained control over selection criteria as early as 1978, the major policy shift occurred in 1995 with the advent of the Provincial Nominee Program (PNP). Under PNP, the federal government signed agreements with provinces and territories allowing them to design their own selection criteria and nominate individuals to migrate to their jurisdiction. The program grew rapidly after 2005, when the federal government removed the cap on provincial nominations; numbers rose from 5 percent of economic-stream migrants in 2005 to 25 percent in 2012.⁴¹ In several of the smaller provinces this share is much higher (between 2005 and 2009, as much as 91 percent of all economic immigrants in Manitoba—the most significant PNP destination—and 74 percent in New Brunswick).⁴²

Provinces in Canada also have substantial and growing influence over immigrant selection—even more than in Australia.

Canada's subnational immigration program offers provinces somewhat more discretion than Australian states enjoy, especially when it comes to work visas for employees. Provincial nominees do not have to pass the federal points test, and provinces can design their own selection criteria—only limited federal standards apply, such as a minimum language threshold for less-skilled workers introduced in 2012. Provinces also decide which types of provincial nominee programs to operate, from regular skilled and semi-skilled worker programs to investor visas and “strategic recruitment” channels focused on workers in specific occupations (for example, special immigration routes are available for engineers in Alberta; farm operators in Manitoba and Saskatchewan; and a range of low-skilled workers in the trucking, hospitality, and food processing sectors in British Columbia). Provincial nominee visas are permanent and do not require holders to stay in a particular geographic area. However, several provinces require some or all workers to have first resided there on a temporary visa, making the program inherently provisional. Most also require a local job offer, thus screening out “casual” applicants who have no intention of living in the province or have few prospects of finding employment there.

The federal government has also signed cooperation agreements with certain provinces to experiment with more liberal temporary work permits at the low-skilled level. This has allowed Alberta, for example, to offer two-year work permits to tradespeople who include welders, equipment mechanics, and carpenters; unlike the national temporary foreign worker program, this program does not require employers to try to recruit local workers first, and also allows workers to move between employers without applying for a new work permit, so long as they have the right local certification.⁴³

Perhaps even more than their Australian counterparts, Canada's provincial programs have lower skills thresholds than national work-visa routes. In particular, workers can gain a path to permanent residence

41 Citizenship and Immigration Canada (CIC), “Facts and Figures 2012 – Immigration overview: Permanent and temporary residents,” www.cic.gc.ca/english/resources/statistics/facts2012/permanent/02.asp.

42 CIC, *Evaluation of the Provincial Nominee Program* (Canada: CIC, 2011), www.cic.gc.ca/english/pdf/research-stats/evaluation-pnp2011.pdf.

43 CIC, “Alberta Pilot for Occupation-Specific Work Permits—Extended,” Operational Bulletin 279-E, July 26, 2013, www.cic.gc.ca/english/resources/manuals/bulletins/2013/ob279E.asp.



in low- and middle-skilled occupations, and language requirements are less stringent than at the national level.⁴⁴ As a result, PNP immigrants are older, less educated, have lower language abilities, and are more likely to work in low-skilled occupations than immigrants coming through the federal points system—the largest channel for permanent economic-stream immigration.⁴⁵ Despite these apparent disadvantages, provincial nominees actually enjoyed higher employment rates in the second half of the 2000s than their federally selected counterparts, although their employment and earnings grew more slowly in the first few years after arrival.⁴⁶ This trend probably does not reflect the impact of subnational selection per se—it is more likely to result from initially superior outcomes of workers selected directly by employers, by contrast with a federal system that, until recently, admitted points-tested immigrants without a job offer or Canadian work experience.

C. *Can Regions Retain and Integrate the Immigrants They Nominate?*

Governments can tie immigrants to certain areas as a condition of their visas, but after a few years any system that provides a pathway to full permanent residence (or citizenship) must loosen these requirements. Both Australia and Canada impose relatively short residency requirements before the visa system no longer constrains immigrants' movement. Canada's PNP offers unconditional permanent residence, but in practice often recruits workers who have already spent time in the area on temporary visas. The main Australian counterpart is an explicitly provisional visa and requires holders to live in the region that nominated them for at least two years.

The reasons behind large differences in retention are difficult to isolate, but evaluation data suggest that economic integration plays an important role.

This raises the issue of retention—whether regions are able to keep immigrants once the visa system no longer ties them in place. Retaining regionally sponsored immigrants is essential to the integrity of the programs. Low retention rates would undermine the objective of increasing immigration flows to particular provinces, while reducing other provinces' ability to control the profile and skill levels of the immigrants they receive. In Canada, where retention rates for immigrants five years after entering through PNP were relatively high (at just under 70 percent in 2008), provinces that received PNP “defectors” have nonetheless been wary of others' programs for this reason.⁴⁷

Some Canadian provinces have had much more difficulty retaining immigrants than others. Retention has been very high in British Columbia and Alberta; in 2008, more than 95 percent of nominees who had arrived in 2000 or later were still residing in these two provinces. Alongside Ontario, these two provinces have also received the largest shares of migrants who entered the country through other jurisdictions. Some smaller provinces, notably Newfoundland and Labrador and Prince Edward Island, lost large majorities of their nominees between 2000 and 2008.⁴⁸

44 Mandatory minimum standards for language proficiency in Provincial Nominee Program (PNP) were introduced by the federal government in 2012, but only for those in less-skilled occupations. The required threshold is considerably higher for the federal skilled worker program (the regular Canadian points-tested route). CIC, “Background—New Minimum Language Requirements for Immigrants under the Provincial Nominee Program,” April 11, 2012, www.cic.gc.ca/english/department/media/backgrounders/2012/2012-04-11.asp.

45 CIC, *Evaluation of the Provincial Nominee Program*.

46 Ibid. Data are from the second half of the 2000s. They also earned more at entry, although this gap closed within a few years.

47 Ibid, 54–5.

48 Ibid, 54. Only 23 and 37 percent of nominees from 2000 to 2008 were still in these two provinces by 2008, according to the CIC evaluation.



The reasons behind large differences in retention are difficult to isolate, but evaluation data suggest that economic integration plays an important role. Nominees were more likely to remain in the province they initially entered if they spoke English (or French, in Quebec) and had managed to sustain employment.⁴⁹ The provinces with the highest retention rates in 2008—Alberta, British Columbia, and Saskatchewan—also had the highest shares of nominees employed within a year after arrival, as well as the highest average earnings among those who found work.⁵⁰ Nominees in these provinces were also particularly likely to have spent time on temporary work permits before being nominated—in 2005 this was the case for 90 percent of nominees in Alberta and 84 percent in British Columbia, compared to just 10 and 11 percent in low-retention Newfoundland and Prince Edward Island, respectively.⁵¹ In Manitoba a high retention rate of over 80 percent⁵² has been attributed in part to policy factors, notably local communities' strong commitment to the program, and close cooperation between the provincial government and community-based organizations when selecting and resettling nominees.⁵³

Data on retention rates in Australia are more limited, but qualitative evaluations have pointed to several factors affecting retention, including job opportunities, social contacts in local communities, the availability of housing, and public services and amenities.⁵⁴ Family ties are also thought to increase the chances of long-term settlement; and both the Australian and Canadian programs allow residents to sponsor extended family members who meet a certain skill level (or, in some cases, have a job offer) if they settle in low-immigration destinations.

IV. Conclusions: Which Programs Best Meet Local Demand?

Economic-stream immigration can be tailored to meet local employment demand even without significant input or involvement from local or regional governments. National policies that rely on employer sponsorship implicitly respond to local demand by sending workers to fill specific vacancies in the places where their skills can be used most productively. Moreover, employer selection can be tweaked in various ways to affect immigrants' distribution, for example, by varying required salary thresholds or eligibility for certain occupations, depending on the characteristics of the local area.

Under the Australian and Canadian models, however, subnational jurisdictions have much more responsibility for selection. Are such programs better at meeting local demand than an efficient and well-designed employer-driven system at the national level? If national programs make timely decisions to let employers sponsor workers in any skilled occupation and in any region, why would subnational programs be necessary? Based on this brief review of the research and policy experiences in countries that have experimented with visa policies to shape the distribution of immigrants within their countries, some broad observations are warranted.

49 Ibid, 55; Manish Pandey and James Townsend, "Provincial Nominee Programs: An Evaluation of the Earnings and Retention Rates of Nominees" (working paper, Department of Economics, University of Winnipeg, October 2010), http://socialsciences.uottawa.ca/grei-rgei/fra/documents/Pandey_Townsend_PNP_Oct_11_2010.pdf.

50 Ibid, 40–2. Average earnings in Alberta (\$79,200) and British Columbia (\$70,500) were considerably higher than in Saskatchewan (\$42,000).

51 Ibid, 52–6. Newfoundland dramatically increased this share in the intervening period, however; by 2009, 80 percent of nominees had spent time on a temporary work visa within the previous four years.

52 Ibid. Calculated as the share of nominees arriving between 2000 and 2008 and still residing in the province in 2008.

53 Christopher Leo and Martine August, "The Multilevel Governance of Immigration and Settlement: Making Deep Federalism Work," *Canadian Journal of Political Science* 42, no. 2 (2009): 491–510; Pandey and Townsend, "Provincial Nominee Programs."

54 See, for example, Maryann Wulff, Tom Carter, Rob Vineburg, and Stephen Ward, "Attracting New Arrivals to Smaller Cities and Rural Communities: Findings from Australia, Canada, and New Zealand," *International Migration and Integration* 9, no. 2 (2008): 119–24; and Graeme Hugo and Kevin Harris, *Population Distribution Effects of Migration in Australia*, (Canberra, Australia: DIAC, 2011), Chapter 8, www.immi.gov.au/media/publications/research/migration-in-australia/full-report.pdf.



Perhaps the most compelling argument in favor of subnational selection is that it allows local policymakers to admit workers with lower skill levels than the national standard—without requiring *all* jurisdictions to admit such workers. Subnational nomination programs are not well placed to attract the most skilled migrants, who qualify for national immigration channels and can move to the most popular cities and regions if they wish.⁵⁵ However, regional governments can use dedicated visa programs to admit low- and middle-skilled workers without competing with national programs (for which these workers are usually not eligible).

Low- and middle-skilled immigration may not be desirable everywhere, especially in regions where jobs are scarce.⁵⁶ But localities that are confident that they can employ workers at these skill levels may be able to make the case that additional labor would be economically beneficial—for example, because local industries rely heavily on a particular type of worker for their growth, or because large infrastructure projects cannot be completed at an acceptable cost without more labor. Subnational immigration programs may help meet such demand in particular areas without instituting nationwide policies that might send difficult-to-integrate workers to localities with limited capacity to absorb them.

Perhaps the most compelling argument in favor of subnational selection is that it allows local policymakers to admit workers with lower skill levels than the national standard.

A second argument in favor of delegating some authority over immigrant selection to regional actors is that it allows decisions to be made at the same level of governance as complementary policies regarding immigrant integration services, housing, and infrastructure. As a result, subnational selection programs could help channel immigration toward areas with the political commitment to integrate newcomers and/or fund settlement services.⁵⁷

Third, subnational immigration programs may seem appealing when national systems are not functioning efficiently. The U.S. employer-driven immigration system is often criticized for its failure to meet employer demand, for example, because of oversubscribed numerical limits and cumbersome regulations. In the absence of political agreement to fix the national system, some state-level policymakers have argued for subnational visa programs to allow them to meet demand for visas that the national immigration system does not satisfy. A major reason behind the popularity of Canada's Provincial Nominee Program in the second half of the 2000s was that it provided a faster alternative to the (then) heavily backlogged federal counterpart, for which processing routinely took several years.

Creating regional variation in immigration policies also has risks and drawbacks. First, it makes the immigration system more complex. This complexity reduces transparency, making it harder to monitor program outcomes. It also creates additional paperwork for employers operating across several

55 All major immigration countries operate employer-sponsored visa programs, but most are confined to skilled occupations requiring a bachelor's degree or technical, postsecondary education short of a bachelor's degree.

56 Low-skilled immigrants are more likely to experience barriers to integration. They are also more likely to compete with local workers for jobs in the first few years after arrival, especially in periods of economic weakness. See Giovanni Peri, *The Impact of Immigrants in Recession and Economic Expansion* (Washington, DC: Migration Policy Institute, 2010), www.migrationpolicy.org/research/impact-immigrants-recession-and-economic-expansion.

57 Another argument is that local policymakers have their ears closer to the ground, and are better placed to assess local immigration needs than their national counterparts. This is plausible in some cases—such as the Australian Regional Migration Agreement policy designed to allow localities to build immigration into a broader economic development plan for their area. At the same time, the ability to accurately predict labor demand is often overestimated. For better or worse, local measures to determine skill “needs” are likely to rely more on qualitative judgments than precise science, for which the tools are rather limited. For more information on measuring skill needs, see Madeleine Sumption, “The Elusive Idea of Labor-Market ‘Shortages’ and the U.S. Approach to Employment-Based Immigration Policy,” in *Immigrants in a Changing Labor Market: Responding to Economic Needs*, eds. Michael Fix, Demetrios G. Papademetriou, and Madeleine Sumption (Washington, DC: Migration Policy Institute, 2013).



jurisdictions. Such employers may need to follow different rules in different locations, making it harder to move employees between offices or to offer the same package of benefits to all their staff. This complexity may not be justified if distinct subnational programs only deliver minor differences in policy.

Region-specific immigration policies are likely to be most effective in large countries with wide regional disparities in economic and demographic trends, where regions are able to retain a high share of the migrants they have selected. Strong local and regional government structures that also control other areas of economic policy may be best positioned to implement such policies effectively. But there is no clearly optimum level of subnational discretion over immigration policies.

Second, subnational nomination programs like the ones in Canada and Australia have some natural limitations. Visa policies that tie workers to specific areas are unlikely to help regions and localities attract the workers they most want—the highly skilled workers who are also eligible for national immigration routes. These immigrants have the most to offer to local economies but tend to be attracted to cities that already have a thriving labor market of similar workers and high-skill jobs. Destinations within a country might best compete for these workers by improving the opportunities they offer, rather than by lowering the skills threshold for work permits.

Region-specific immigration policies are likely to be most effective in large countries with wide regional disparities in economic and demographic trends.

Finally, subnational visa programs may provide good options for managing low- and middle-skilled immigration to areas where there is demand, but they do not eliminate the challenges that may be associated with integrating such workers. Not all destinations have the requisite institutions and experience in providing services to diverse populations. Integration is also difficult without the support networks that existing immigrant communities often provide to new arrivals.⁵⁸ As a result, programs to attract immigrants to specific areas are likely to be most successful at retaining new workers and using their skills productively when combined with well thought-out investments in immigrant integration.

58 Economists debate the extent to which living in areas with large concentrations of other immigrants helps or hurts immigrant integration, but there is convincing evidence that—at least for some immigrant groups—immigrant social networks have positive impacts on employment and incomes. See, for example, Kaivan Munshi, “Networks in the Modern Economy: Mexican Migrants in the U.S. Labor Market,” *Quarterly Journal of Economics* 118 (2003): 549-99; and Lori Beaman, “Social Networks and the Dynamics of Labor Market Outcomes: Evidence from Refugees” (working paper, Northwestern University, 2008), http://faculty.wcas.northwestern.edu/~lab823/beaman_ethnicnetworks.pdf.



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