International Recruitment of the Highly Skilled

Competition is keen among OECD member countries to attract human resources they lack and to retain those who might emigrate. Many countries amended their legislation in the late 1990s to facilitate the entry of skilled foreign workers and to allow foreign students to access their labour markets upon graduation. In 2001 in Switzerland, the quota for highly skilled workers was increased by almost 30 percent even though it had remained unchanged for more than 10 years prior to this. Japan and Korea share a determination to confine immigration to highly skilled workers. In the past ten years, high-skilled immigration has increased by 40 percent in Japan and more than ten-fold in Korea.

Some OECD countries have also created new programmes to facilitate the international recruitment of highly skilled workers. Norway and the United Kingdom, for instance, have introduced programmes to allow highly skilled foreign workers to come to seek work for a limited period of time. Although these programmes are still limited (approximately 5,000 persons for each country), they represent a significant change with regard to the usual migration policies of European countries, which generally require a job offer as a prerequisite for labour migration. Germany on its side has developed a special programme to recruit IT specialists, which was extended until January 2005. Approximately 15,800 permits were granted between August 2000 and January 2004. In addition, the German authorities have recently reformed their immigration law to facilitate the entry of highly skilled workers, such as engineers, computer technicians, researchers and business leaders.

In settlement countries, such as Australia, Canada and New Zealand permanent immigration is subject to a points system with an increasing emphasis on the potential immigrant's profile (age, education, skills, work experience). Permanent skilled immigration to these countries has significantly increased in the last four years (by almost 25 percent) and temporary immigration of highly skilled workers is facilitated more and more.

In addition to immigration policy measures, some OECD countries have introduced specific fiscal incentives to attract highly skilled migrants (Table). Some of these offer virtual income-tax-free status for up to five years for certain categories of highly qualified personnel most in need, or large tax deductions (e.g. 25 percent in Sweden, 30 percent in the Netherlands, 35 percent in Austria or 40 percent in Korea). New legislation along the same lines has been recently adopted in France and is under consideration in New Zealand.

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Reference

SOPEMI, *Trends in International Migration 2004*, Paris 2005, 132–33.

Fiscal incentives for highly skilled immigrants

Australia	In order to encourage businesses requiring a skilled labour force to locate in Australia, since 1 July 2002, foreign source income of eligible temporary residents is exempt from tax for four years.
Austria	An individual who has not had a residence in Austria during the past ten years, who maintains his primary residence abroad and has an assignment with an Austrian employer for less than five years benefits from tax deductions for up to 35 percent of the taxable salary income for expenses incurred in maintaining a household in Austria, educational expenses and leave allowances.
Belgium	Certain foreign executives, specialists and researchers residing temporarily in Belgium are eligible for a special tax regime that treats them as non-residents. Taxable income is calculated by adjusting the remuneration according to the number of days spent outside Belgium. Reimbursements of expenses incurred by an employee as a result of his temporary stay in Belgium are not subject to personal income tax.
Canada	Researchers can benefit from five-year tax relief in the province of Quebec on 75 percent of their personal income if they settle in Quebec to work in R&D in a firm.
Denmark	A special expatriate tax regime applies to foreigners employed by Danish-resident employers. Under qualifying contracts, salary income is taxed at a flat rate of 25 percent instead of the usual rates of 39 percent to 59 percent. To qualify, expatriates must reside in Denmark and earn more than 50,900 DKK a month in 2001. This tax regime is valid for up to 36 months.
Finland	A foreigner working in Finland may qualify for a special tax at a flat rate of 35 percent during a period of 24 months if he receives any Finnish-source income for duties requiring special expertise and earns a cash salary of €5800 or more per month. This law stipulates that the expert has not been resident in Finland any time during the five preceding years.
France	Recent legislation changes which aim at encouraging foreign professionals to work in France include a five-year tax exemption for bonuses paid to foreign expatriates where these are directly related to their assignment in France, and tax deductions for social security payments made by expatriates in their home countries. A deduction will also be available for pension and health care payments made outside France. It applies to foreign professionals (including French nationals with a foreign labour contract who have been residing out of France for at least ten years) coming to France from 1 January 2004.
Japan	For expatriates living in Japan, relocation allowances and once-a-year home-leave allowances are generally tax-free.
Korea	Since January 2003, tax-free allowances of up to 40 percent of salary to cover cost of living, housing, home leave and education. Tax-exempt salary for certain sectors for up to five years if the individual is i) employed under a tax-exempt technology-inducement contract or ii) a foreign technician with experience in certain industries.
Netherlands	Expatriates may qualify for a special facility called the “30 percent” (previously the “35 percent”). This enables an employer to pay for up to ten years employees seconded in the Netherlands a tax-free allowance of up to 30% of regularly received employment income and a tax-free reimbursement of school fees for children attending international schools.
New Zealand	A government discussion document, released in November 2003, outlines proposals to exempt the foreign income of certain migrants and returning New Zealanders from New Zealand’s international tax regime. It is aimed at ensuring that New Zealand’s tax system does not discourage the recruitment of overseas employees. The Government has proposed two possible approaches: • A narrow exemption that would apply for seven years and focus on those tax rules that are more comprehensive than the international norm, and • A second option that would apply for three years and provide eligible taxpayers with a broad exemption from paying New Zealand tax on all foreign-sourced income.
Norway	Expatriates expected to reside in Norway for four years or less may be allowed a 15 percent standard deduction from their gross income instead of itemised personal deductions.
Sweden	Since 1 January 2001 foreign key personnel who are experts and scientists with knowledge and skills that are scarce in Sweden may benefit from a new expatriate regime. No taxes are paid for the first 25 percent of their income. This is valid for a maximum period of ten years.
United Kingdom	Individuals who are seconded to the UK and declare their intention to remain in the UK on a temporary basis can claim tax relief on their housing costs and travelling costs. Non-ordinary residents can also claim tax relief for days worked outside the UK.

Source: UK Home Treasury (2003), Ernst and Young (2001) and national ministries.