

The Impact of Skilled Immigration Policies in Developed Countries on Domestic Labor Market Structure

Yikai Qin*

Fisher College of Business, The Ohio State University, Columbus, United States

*Corresponding author: qin.668@buckeyemail.osu.edu

Abstract. Under the background of aging population, skilled immigration has become one of the primary tools for revitalizing the labor force, mitigating demographic decline, and achieving sustained competitiveness in global markets. This paper focuses on the identification of five major models of skilled immigration policies in developed nation-states, which seek to restrict the influx of immigrants in their labor markets. This paper discusses the policies of developed economies on points-based systems, employer-sponsored frameworks, exceptional talent schemes, and regionally oriented initiatives, as well as how they pattern the labor market structures. Equipped with comparative policy tasks from Canada, Australia, the US, the UK, Germany, France, and Japan, the study will examine how skilled immigration enhances the labor force, comparatively expands the proportion of highly educated workers, replaces an aging workforce, and fosters innovation systems. Additionally, several challenges remain, including higher qualifications among migrants, imbalances between the foreign and local workforces, regional disparities, unfair treatment by employers, and problems with integration. The paper claims that skilled immigration is working in a double way: it can replace decreasing numbers of immigrants and accelerate the fundamental economic change at the level of the developed countries. The conclusion is constructed through policy recommendations, such as up-to-date assessments of labor market function, early validation of certificates, retention incentives for regions, and integration programs. The present study provides the necessary perspective for mature economies to refine their immigration frameworks, limit disproportionate demographic realities, and strive for sustainable growth.

Keywords: Skilled immigration; labor market; demographic aging; developed countries; economic growth.

1. Introduction

The demographic transitions have restructured labor markets and destabilized the stretched-out economic realization, a consequence of an overdeveloped economy. Crippled fertility rates and rising life expectancy have given rise to aging societies, a phenomenon that has never been seen before. The Organization for Economic Co-operation and Development (OECD) states that it is evident that the portion of the population aged 65 or older among OECD countries is expected to grow from 17% in 2020 to 28% in 2050 [1]. In all, the proportion of the population between 25 and 54 years is expected to decline by over 10% in many developed nations, including Japan, Germany, and Italy, with the contraction of the labor force being even more pronounced. The ensuing implications for the pension system, healthcare services, and economic growth of the knowledge-based sector are being put to the test.

The implications are profound. The conspicuous labor shortages in crucial sectors, such as healthcare, information technology, and advanced manufacturing, have already been reported by many. The exponential growth of digital industries, combined with the global shift toward green energy, has intensified the demand for highly skilled workers. The supply of domestic workers, particularly those specializing in this area, remains insufficient. The learning system in developing countries is being frustrated by demographic decline and an inadequate system for educating professionals.

In this regard, one of the key labor policy instruments in most developed countries has become skilled migration. Whereas low-skilled immigration is variable, temporal, and often coincides with the meeting of immediate demand in the agriculture and construction sectors, skilled immigration

addresses long-term structural needs. It becomes a mechanism to upgrade the country's long-term economic capacity. The government would not be content until it controls immigration policies as part of a national strategy to attract global talent, thereby furthering national interests such as innovation, entrepreneurship, and industry transformation.

The international "hunt for brains" is a testament to this shift. Points-based immigration assessment systems, which are entry-based and operate by awarding points to cover factors such as education, work experience, language fluency, and adaptability capabilities, were piloted by Canada and Australia. Employer sponsorship is an integral part of the US and UK visa systems. At the same time, programs such as talent exceptions established by the EU and other European countries serve as a global magnet for scientists, entrepreneurs, and other highly skilled professionals who are at the top of their field. The regionally operated initiatives are hotspots, where migrants flow more evenly throughout the nationally designed territories. Examples of these include Australia's regional visas and Germany's shortage occupation quotas. Each of the models has distinct policy objectives and trade-offs.

The academic literature highlights the advantages and disadvantages of skill migration. Some scholars emphasize that skilled migrants are complementary to native workers, rather than the reverse, resulting in productive specialization that overall increases productivity [2]. Research builds on this point, arguing that the limited evidence on wage depression suggests that immigration is beneficial, as it auto-catalyzes growth [3]. The Tareque group also emphasizes the contributions of innovation and regional entrepreneurship, which facilitate the diffusion of positive externalities [4,5]. During this period, however, research criticizes the concentration of educational needs in selection systems, which ultimately leads to underemployment and labor waste [6]. Dustmann, Frattini, and Preston do not identify the pressure on wages in specific segments, and Vosko discusses, however, the migrants canceled graduation opportunities [7,8].

This study fills a notable void, specifically in the coverage of diverse policy systems, which encompass a broader sense of policies and civics, as most researchers focus on single-country experiences. Secondly, the shifts between immigration systems and labor markets in light of demographic change, as well as political backlash, have been underestimated and not sufficiently assessed. This study thoroughly examines each policy system, its labor impact, and the underlying fundamental problems.

2. Skilled Immigration Policy Models in Developed Economies

2.1. Points-Based Systems

Canada and Australia are considered two manipulative models for points-based immigration systems. Various modifiable parameters, such as education, work experience, proficiency in the language, and age, are considered for evaluating applicants by these systems. Canada's Comprehensive Ranking System (CRS) is highly flexible, allowing for adjustments to the occupations list in accordance with a country's current market demands and ranking immigrant workers. The job markets of Australia also guide such a mechanism through regional immigration, with a focus on healthcare, engineering, and green economies.

The points system is favored for its transparency, catering to people and society, and giving a bias toward the future, with its positive aspects. People selected under these systems usually come with a substantial package of human capital, according to OECD estimates, with more than 60% of the major candidates having higher education levels than the average of the native population [1]. However, the following loopholes lead to a mismatch of skills. The closely held records of Birrell reveal the situation in early Australia, where the program admitted individuals with higher education who had qualifications not aligned with the labor demand in the domestic marketplace [6]. Humanities graduates, since jobs in their field were routinely underfilled with unskilled workers, represent a de-employment of human resources.

2.2. Employer-Sponsored Systems

A significant portion of employer-supported immigration in the United States and the UK involves the company making the hiring decision. The US H-1B Visa Program, a characteristic example of the program, allows employers to hire foreign specialists in information technology and engineering, for instance. With the yearly cap being grossly short of provision, applications still exceed the supply due to the yearly random lottery. The UK's Skilled Worker path is likewise - employers in shortage occupations, such as healthcare and education, preferentially sponsor migrants.

Employer sponsorship serves not only to address the short-term skills deficiency in some industries but also helps alleviate labor market imbalances. Some scholars point out evidence of wage discrimination among sectors that heavily rely on non-nationals, while Vosko notices second-class entitlements, as employers sponsor them [7,8]. Critics believe that the scheme of employer selection can tend to favor the interests of corporations over enhancing the national economic plan, thereby increasing the possibility of abuse.

2.3. Exceptional Talent Programs

The International Federation of Accountants (IFAC) International Fellowship Programme is just one plane of 'talent unblocking'; similar programs include the EU Blue Card, the O-1 visa in the USA, and the UK Global Talent program. Although numerically insignificant, that small contribution disproportionately affects innovation. Some scholars surveyed immigrants in patents as well as in independent scientific collaborations, wherein migrants' efforts are of excellent service both in patenting and in the establishment of startups globally [4].

Such supportive measures, based on both national prestige and expertise, help gain international acceptance. However, it is not yet effectively addressing the demographic problem of labor shortage, as it tends to attract a narrow group of migrants with a high level of knowledge and skill.

2.4. Regional-Oriented Initiatives

Countries, with a view to minimizing the number of migrants relocating to cosmopolitan areas, become the ones to route migration flows to the underpopulated regions. The Regional Skilled Migration Scheme aims to settle areas outside Australia's metropolitan centers, whereas in Germany, areas are based on shortages and a quota system. An area in France and Japan corresponds to the specifics of areas or industries with limits on the visas issued for and tied to the latter's industrial area.

Still, the key problem is that retention remains a difficult call. Miners typically move to metropolitan areas after fulfilling their initial service commitments, as better wage opportunities attract them. Additionally, Tareque et al. noted that their stable immigration structure is founded on a robust entrepreneurial ecosystem [5]. Because the Science-Technology-Engineer-Math (STEM) labor force is in short supply, cities are usually where high-tech immigrants seek employment. This can create an increase in the number of job openings as companies and cities compete to attract and retain these talented workers. Lastly, globalization and advancements in technology have made it easier for jobs in fields such as IT and engineering to be performed remotely. Therefore, many cities are focusing on attracting high-skilled immigrants to fill these types of positions.

3. Labor Market Impacts of Skilled Immigration

3.1. Strengthening Labor Supply

Therefore, the workforce faces both a lack of job vacancies and a quality issue in the labor demand market. The OECD reports that, globally, in Canada and Australia, the explored population, which includes skilled migrants, is generally younger and more educated than the host country population, as their average age group falls between 25 and 40 years old [1]. The demographic

composition invariably reinvigorates the workforce and reduces the economic burden that aging societies experience due to declining populations.

Immigrants in STEM fields most intensively fill in the gaps. The USA's H-1B scheme channels workers into computer science, engineering, and healthcare fields; however, Canada's points-based immigration system gives preference to the IT and medical-related professions. Thus, foreign, especially skilled human resources directly tackle structural constraints in these core industries.

3.2. Restructuring Employment

The structure of the industrial point system dealing with employment has been affected by the introduction of a skilled immigration system. In the US, a case in point is the immigrant engineers and programmers who are essentially at the core of Silicon Valley's growth. In the UK, foreign doctors and nurses are the ones who save the National Health Service from decline. However, in Germany, immigrants are essential contributors to modern advanced manufacturing. By filling the shortages in the industrial realms, they also raise issues of dependency.

In this process, occupational hierarchies are also in order. Some scholars argue that, despite cultural distinctions among the natives, immigrants would remain specialists in the technical and operational aspects, while the natives could only be summoned as managers [2]. The unevenness will support specialization and result in a boost in productivity.

3.3. Wages and Productivity

Overall, the employment of foreign labor raises controversies regarding prevailing wage levels in host nations. While some scholars find a 1%-er impact on low-skilled employees in the UK market whereby capital gets depressed, unlike higher-skilled workers, Peri notes a rise that is close to the level of human capital, while the rise is entirely out of being cognizant of the worker's community's dynamics [2,7]. Therefore, high-quality labor with low numbers often wins in this segment due to the intense competition from common species.

3.4. Innovation and Entrepreneurship

Problems that can be solved fit into this definition. Capoani et al. illustrate the contribution of researched and extracted immigrants to patenting and invention facilities, while Tareque et al. (2024) highlight the advantages of immigrant entrepreneurship at regional levels [4,5]. Apart from job creation, the new startups by immigrants also expand the economy of host communities into a broader range of global value chains.

One of Donegan and Halloran's points of view is that, in addition to the economy, cultural capital is increased through the influx of skilled immigration [9]. Particularly, international students and migrants act as cultural ambassadors, as outlined by Altbach and Knight, who promote the maintenance of these networks and support the establishment of diplomatic relations [10]. Particularly, the use of multilingual and multicultural skills boosts the global functioning of the business.

4. Challenges and Controversies

4.1. Skill Mismatch

The misclassification of workers is where the labor market is most often challenged. Nevertheless, as noted by Birrell, most of the time, the solution for which points are available is provided, contrary to the challenges that arise [6]. Another way in which status disparities exacerbate the situation is through mobility barriers, or a shortage of credentials. Doctors, who are trained abroad but are only allowed to practice in the US after passing the United States Medical Licensing Examinations, are being delayed in the issuance of their licenses in Europe, making them unable to work despite the existing need in this field.

4.2. Labor Market Fairness

Ergo, other drawbacks are highly likely to arise in employer-oriented systems. Some evidence reports that labor market abuse cases occur when companies tend to employ people on low wages, as they are cheaper than native ones, or lower the standards over time. Some scholars identified the realities of second-class institutions, highlighting the employment dependence of post-graduation migrants and their confinement by employers [8]. People blame employers for determining national planning, as it is revealed that this gives corporations a chance to exploit the system.

4.3. Regional and Sectoral Imbalances

Despite provincial efforts, immigrants are often confined to urban areas, but the divergence in the spirit of the policy is not well understood. According to research, shifting regional retention into the longer parts of the cycle will need better entrepreneurial ecosystems, as well as local integration initiatives and enduring incentives [5]. Many also point out the risk of overdependence on medical professionals in the healthcare industry.

4.4. Integration and Identity

Integration for migrants involves learning a new language and adapting to a new social identity. A lack of support affects how individuals deal with rejection and isolation, which, in turn, increases turnover. What is more important, Altbach and Knight emphasize not only economics but also cultural and social integration [10]. Therefore, institutional investment in training and mentorship should be a priority for the government.

4.5. Political Upon the Backlash

Immigration can be considered one of the most politically contentious subjects in modern civilization. The UK's EU immigration talks formed the ground of the Brexit referendum. In the US, H-1B reforms remain a topic that divides political opinion. A political uproar thereby complicates reform debates for policymakers, as they are caught between sales reasoning and public sentiments. As Milner et al. document, congressional voting on immigration policy spans six categories, including high-skilled visa votes, such as those concerning H-1B programs, which regulate the flow of educated workers into specialized labor markets. These votes, however, are strongly shaped by constituency pressures as well as economic interests, making immigration a persistently contested issue in the political arena.

5. Conclusion

The advanced world has primarily used skilled immigration as a remedy for its aging-induced workforce shortage and increasing industrialization. Diversity programs based on the points system enhance multiculturalism in society. Employer-sponsored entry addresses urgent needs. Programs that attract exceptional talent and STEM professionals, as well as geographical mobility issues, have a significant impact on the labor market supply and innovation system. Regional determinants offer locally based stay incentives, thrive, and immersion programs for migrants, thereby attracting the much-needed skilled labor. Technical and quantifiable economic gains from immigration should not be at the expense of impoverishing society itself, as these workforces are subject to leaving the country over time. More determined action might strengthen the economy and build stronger coalitions; influential, open-minded individuals, such as business leaders and university representatives, play a crucial role in making those changes happen. However, the number of undocumented migrants may also rise if the nationally based assessments of the labor market, certificate recognition for foreign-trained migrants, retention incentives for regional areas, and integration programs are not coordinated to fill that gap. Ultimately, such programs encourage managerial, technical, and other higher-level functions in polyglot businesses, which further diversify cultural aspects and improve economic competitiveness. Policy flaws are highlighted

when consideration is not given to how talents will be attracted without incurring a risk of work shortages in related economies. Skilled immigration is crucial for advanced economies to maintain a competitive edge. Increased input of skills would eventually stimulate new ideas and also create a restoration path for the sector.

References

- [1] Altbach P G, Knight J. The Internationalization of Higher Education: Motivations and Realities. *Journal of Studies in International Education*, 2007, 11(3-4): 290-305.
- [2] Birrell B. Immigration Policy and the Australian Labour Market. *Economic Papers: A Journal of Applied Economics and Policy*, 2003, 22(1): 36-45.
- [3] Capoani A, et al. Understanding the relationship between immigration and innovation: A systematic review and meta-analysis. *Journal of Economics, Race, and Policy*, 2024, 7(1): 35-56.
- [4] Dustmann C, Frattini T, Preston I. The effect of immigration on the distribution of wages. *The Review of Economic Studies*, 2013, 80(1): 145-173.
- [5] OECD. International migration outlook 2023. OECD Publishing, https://www.oecd.org/en/publications/2023/10/international-migration-outlook-2023_0faed233.html. 2023.
- [6] Peri G. Do immigrant workers depress the wages of native workers? *IZA World of Labor*, 2014, 42: 1-10.
- [7] Peri G, Sparber C. Task specialization, immigration, and wages. *American Economic Journal: Applied Economics*, 2009, 1(3): 135-169.
- [8] Tareque I S, et al. High-skilled immigration enhances regional entrepreneurship. *Proceedings of the National Academy of Sciences*, 2024, 121(37): e2402001121.
- [9] Vosko L F. Probationary precarity? Differential inclusion among post-graduation work permit-holders in Canada. *International Migration*, 2023.
- [10] Milner Helen V, Tingley Dustin H. The Economic and Political Influences on Different Dimensions of United States Immigration Policy. *SSRN Electronic Journal*, 2025.