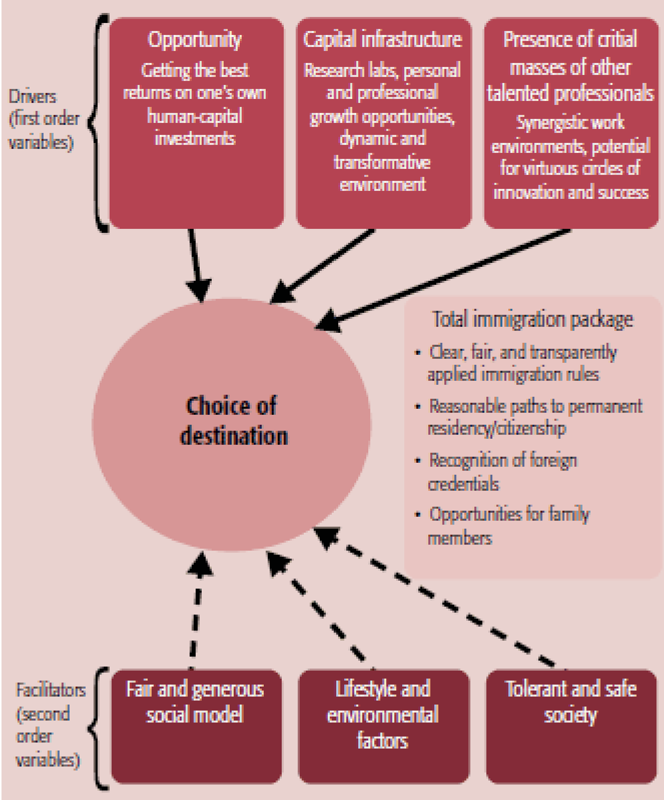
What do the Employing Skilled Expatriates (ESE) indicators measure?

Focus of the ESE indicators

The ESE indicators analyze important areas which companies, but also skilled individuals, take into account in their investment location decision. Figure 2 shows the first order (drivers) and second order (facilitators) variables which a highly skilled individual takes into account when deciding about where to emigrate. The ESE indicators measure the elements of the total immigration package: the applicable immigration rules, paths to permanent residency and citizenship and the opportunities for family members. As such, the ESE indicators aim to analyze important areas within the skilled immigration regime of an economy which also include issues which influence the decision-making pattern of the skilled expatriate him/herself.

FIGURE 2. A highly-skilled individual decision making calculus about where to emigrate



Source: Papademetriou et al. 2008.

More specifically, the ESE indicators cover:

1. **Quotas which control the inflow of skilled immigrants**
2. **The ease of hiring skilled expatriates**: Measures the time and procedural steps required to obtain a TWP, whether the TWP can be applied for online, and whether a one-stop shop and a fast-tracking option are available.
3. **Restrictions on permanent residency / citizenship and Spousal Work Permit**: Measures the attractiveness of an economy to the skilled immigrant in terms of being able to obtain a permanent residency and/or citizenship on the basis of temporary employment, and the ability to obtain a work permit for a spouse based on employment of the other spouse (Spousal Work Permit).

The ESE indicators also include nationality or residency limitations imposed by economies on the composition of the board of directors. The aim of such limitations is usually to achieve different policy objectives: nationality limitations influence control over the investment and usually are related to national security or political considerations. Residency requirements are associated with the interest of the host state of having at least one physical person representing the legal entity in case of any wrongdoings. As a result the indicators are not included in the index, but Annex II provides an overview of conditions imposed on the composition of the board of directors in the surveyed economies.

How the data was gathered

The data was gathered through a questionnaire which was filled out by lawyers specialized in immigration and/or labor law, as well as government officials (from a country's Board of Investment, Labor or other Ministries, and Investment Promotion Agencies). To make the data comparable across economies, several assumptions are made about the parent company, the business and the skilled expatriate.

Data was gathered about the laws and practices that would affect a locally registered subsidiary of a multinational firm when hiring a skilled expatriate. The subsidiary has a start-up capital of $10 million and does not operate in a special economic zone. The company is looking to hire a foreign worker (skilled expatriate). The skilled expatriate is an Information Technology (IT) specialist who is 35 years old, male, holder of a Master's degree of Science, and will not hold an executive or managerial position. It is important to note that labor mobility regimes under bilateral or multilateral trade agreements (for example, the intra-company transfer regime) are excluded. In many economies, temporary licensing by professional associations may present an additional hurdle for skilled expatriates. For this paper we selected one particular category of skilled expatriates (IT specialists) which normally is not subject to local certification requirements. This approach allows for streamlined comparison across the surveyed economies. We nevertheless acknowledge that, depending on the economy, specific survey results may not be fully applicable to other categories of skilled immigrants.

The aim of the indicators

This paper does not take a position on an ideal skilled immigration model for the surveyed economies. Each economy is unique and there is no global all-inclusive best practices model which can or should be implemented. Improved skilled migration policies need to be tailor-made for each economy. In this paper we focus on a number of issues which are common to most of the skilled immigration regimes without taking a position on whether reforms at this stage would be advisable or how reforms should be sequenced.

The goal of this paper is to contribute to the literature on FDI which, for the most part, leaves aside migration considerations. We do this by mapping how long it takes to obtain a TWP, identifying bottlenecks which limit the inflow of skilled expatriates or decrease the attractiveness of an economy to a skilled expatriate, while at the same time discussing best practices with regard to common characteristics of skilled immigration regimes across the surveyed economies.

A number of data points were used to create an ESE index which is used to find correlations with FDI flows in order to answer the question of whether skilled immigration regimes affect FDI. The ESE index is also correlated to external existing data from the Global Migration Barometer (Economist Intelligence Unit 2008) to determine whether economies with a need to attract migrants (to spur economic growth) have in effect put appropriate skilled immigration regimes in place.

ANNEX II. Restrictions on nationality or residency of foreign members of the Board of Directors

Economy	Residence restriction	Economy	Nationality restriction
Argentina	The majority of foreign directors need to have their residence in Argentina.	Bangladesh	Non-recognized country nationals are not eligible to be a member of the Board of Directors (i.e., Israel).
India	The managing director of a public company is required to have resided in India for a continuous period of not less than 12 months immediately preceding the date of appointment and is required to be in India on a valid employment visa.[10]	Brunei Darussalam	50 percent of the directors must have the Brunei nationality.
Canada	At least 25 percent of the Board of Directors must be "permanent residents" in Canada.	Egypt, Arab Rep.	An Egyptian manager is required for limited liability companies.
Philippines	A majority of the Board of Directors must be residents of the Philippines.	Indonesia	Expatriates from 18 listed economies cannot be part of the Board of Directors.
Indonesia	A President Director who has the authority to represent the foreign subsidiary is required to reside in Indonesia.	Jordan	Some nationalities are restricted in Jordan based on unpublished lists by the Ministry of Interior. Each work application will be screened by the Ministry of Interior.
Ireland	An Irish company is required to have at least 1 director who is a resident of the European Economic Area.	Pakistan	The nationals of the following economies are prohibited to be a member of the Board of Directors: Azerbaijan, Bangladesh, Bhutan, India, Israel, Iraq, Kyrgyzstan, Libya, Nigeria, Palestine, Somalia, Sudan, Syria, Tanzania, Tajikistan, Uganda and Uzbekistan.
Japan	At least one representative director is required to live and be domiciled in Japan.		
Rwanda	At least one director must reside in Rwanda.		
Singapore	At least 1 director of a foreign-owned subsidiary has to reside in Singapore. This is evidenced by physical residence as well as the provision of a Singapore citizenship, Singapore permanent residence or a valid work permit.		