

**Immigration as a supply-side problem -
The international competition for
highly-skilled migrants**

DISSERTATION
der Universität St. Gallen,
Hochschule für Wirtschafts-,
Rechts- und Sozialwissenschaften (HSG)
zur Erlangung der Würde eines
Doktors der Wirtschaftswissenschaften

vorgelegt von
Thomas Liebig
aus
Deutschland

Genehmigt auf Antrag der Herren

Prof. Dr. Hans Schmid
und
Prof. Dr. Simon Gächter

Dissertation Nr. 2946

Difo-Druck GmbH, Bamberg 2004

Table of contents

<i>List of tables and figures</i>	<i>III</i>
1 Introduction	1
1.1 A new perspective on immigration	1
1.2 Literature review	2
1.3 Outline	4
1.4 Definitions and measurement issues	6
1.4.1 “Skills shortages”	6
1.4.2 “Highly-skilled immigration”	7
1.4.3 “Supply-side problem”	9
1.5 The growing importance of highly-skilled immigration	10
1.5.1 Drivers of skills shortages	10
1.5.1.1 Structural change	10
1.5.1.2 Demographic changes	12
1.5.2 Instruments to counter the skills shortages problem	14
1.5.3 Economic effects of skilled immigration	17
1.6 Immigration policy for the highly-skilled in Europe	22
1.6.1 From the “Green Card” to a new immigration law in Germany	22
1.6.2 Immigration policies for the highly-skilled in other EU countries	27
1.7 The taxation of stock options: an example of competition for highly-skilled migrants?	31
2 Migration, self-selection and income inequality: an international analysis	35
2.1 Introduction	35
2.2 Borjas’ self-selection model	37
2.3 Alternative modelling of the self-selection process	38
2.4 Data and methodology	38

2.5	Empirical analysis	41
2.6	Conclusions	49
3	<i>The influence of taxes on migration: evidence from Switzerland.....</i>	<i>53</i>
3.1	Introduction	53
3.2	Theoretical considerations.....	55
3.3	Prior empirical studies.....	58
3.4	Institutional background.....	60
3.5	Data and methodology	62
3.6	Empirical analysis	65
3.7	Conclusions	77
4	<i>Taxation, ethnic ties, and the location choice of highly-skilled immigrants</i>	<i>79</i>
4.1	Introduction	79
4.2	Theoretical background.....	82
4.3	Prior empirical research on the influence of taxation and ethnic networks on migration	87
4.4	Institutional background.....	90
4.5	Data and methodology	93
4.6	Empirical analysis	97
4.7	Conclusions	110
	<i>Appendix.....</i>	<i>113</i>
A	<i>The neutrality of stock option taxation in Germany.....</i>	<i>113</i>
A.1	The economics of stock options.....	113
A.2	The tax treatment of stock options in Germany compared to other forms of compensation	115
B	<i>Definitions and summary statistics of the datasets used in the analysis.....</i>	<i>120</i>
	<i>Bibliography.....</i>	<i>131</i>