

**Corporatist Birds of a Feather?
Labor Migration and Employer Preferences in Austria and the Netherlands**

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I. Introduction

West European countries have varied immigration legacies, and few would argue that their political economies have developed along parallel paths in the past twenty-five years. For this reason, it is somewhat surprising that recent labor migration policy in many countries has followed a common trajectory, particularly in the areas that have experienced new policy developments. Challenging the idea that union preferences determine policy, this paper asserts that employers' associations are the most appropriate level of analysis for understanding labor migration policy. Changes in production methods have altered the composition of the labor market, and in response firms and employers' associations have adjusted their preferences, often in relation to industry-specific labor market needs. Industries with less regulated labor markets welcome labor migration, especially as a means of addressing flexibility concerns, while more regulated branches remain cautious or ambivalent. These preferences are not simply converted into policy demands, but rather, the strategies of employers reflect industrial relations characteristics - such as employers' association organization and union strength - that are often country-specific. Utilizing the case of the information technology (IT) sector in Austria and the Netherlands, this paper highlights how national characteristics can still be important in determining labor migration policy, and that there are important differences even among what one might consider corporatist nations.

National immigration regimes are generally comprised of several policy systems: asylum and refugee policy, family reunion programs, and labor migration. These policy areas are far

from independent, yet policy in the first two areas has increasingly become subject to various systems of international norms¹ with the nation-state retaining the greatest degree of control over labor migration policy. This paper focuses on the third policy area - labor migration - in part because it still affords the greatest discretion for policy formation, but also because as a labor market issue, it is a further policy area where political economic convergence claims might be charted or challenged.

Section II examines the state of labor migration theory, granting particular attention to recent work on the role of social partners in policy formation. It also situates labor migration within the debate over the ability of national varieties of capitalism to develop and maintain national economic institutions independent of globalization's supposed convergence tendency. Section III evaluates other approaches that provide hypotheses as to how employer preferences align and develop on the issue of labor migration. Synthesizing elements from these approaches, the argument is presented in Section IV and then applied in Section V's analysis of labor migration policies for IT workers. Integrating media reports, annual organizational reports, press statements and individual interviews with representatives of government, trade unions and employers' and trade associations (see Appendix A), the case studies illustrate how employers have been affected by changes in the overall structure of the labor market that create preferences that differ according to industry. However, the analysis continues by examining how these preferences are interpreted and articulated differently depending on three institutional factors: the position of employers within the overall collective representation scheme, employers' interaction with and strength vis-à-vis trade unions, and the degree to which larger national debates over immigration can be avoided in a particular policy area.

¹ Within the European Union (EU), the free movement of workers is mandated. However, determining the status of foreign workers from third countries remains the prerogative of the nation-state (Geddes 2000, Caviades 2004).

II. Theoretical Considerations

A. Labor Migration

There is no consensus in immigration studies as to what determines immigration policy. Some scholars perceive immigration policy as strongly rooted in national concepts of citizenship (Brubaker 1992, Leitner 1995) or national security concerns (Weiner 1993, Huysmans 2000). Others focus on the burgeoning immigrant rights regimes that generate either domestically (Hollifield 1992, Joppke 2001, Hansen 2002) or internationally (Jacobson 1996, Sassen 1998). This expansion in rights has been primarily judicial in nature rather than legislative, generally focusing on the rights of established migrants to stay. As such, they often reflect a different logic than policies governing the initial entry of foreigners into the country and labor market.

Political parties often play an important role in the development of general immigration policy. Especially recently, smaller populist and right-wing parties have successfully courted voters by brandishing xenophobic rhetoric, forcing the major parties to proceed with caution when speaking on this issue. However, the profile of parties remains subdued in the area of labor migration policy. There is no systematic effect of parties upon labor migration. Generally, it is difficult to predict the type of policies that larger parties promote simply by looking at the party's position on the classic left-right political continuum. This is mainly because the issue proved so divisive and incendiary on those occasions when local politicians have broken the unspoken truce of silence in order to play the 'race card.' While the government and its current political composition can constrain or facilitate the labor migration policy designs of employers, this analysis does not consider government or parties as the determinant actor whose policy initiatives set the agenda of the policy-making process.

The key factor in analyzing labor migration policy is the involvement (or not) of the social partners. As pointed out by Gary Freeman, they have been free to engage in what he calls client politics, in that their negotiations over policy is shielded from public opinion (Freeman 1979). Predominantly, research has centered on the role of trade unions (Castles and Kosack 1973, Katznelson 1993, Kühne 2000). Unions are seen as being opposed to liberal labor immigration because of its potential for lowering wages within regulated labor markets and providing alternative labor in the case of disputes (Zolberg 1989, Haus 2002). Despite this, unions have been ascribed of pragmatic behavior during the period of rapid economic growth in the 1960s, which was fueled in large part by access to foreign labor (Kindleberger 1967, Katzenstein 1987, Joppke 1999). Nevertheless, in the wake of the 1973 oil crisis and the demise of full employment in Western Europe, the preferences of unions were seen to have once again solidified in favor of restriction (Castles, Booth and Wallace 1984, Wrench 2000, Münz 2001).

A recently developing body of literature documents that the labor movement has actually become more open to immigration (Avci and McDonald 2000). Rather than opposing all immigration, unions in the United States and Mediterranean countries have mobilized in favor of laws granting amnesty to illegal workers and increasing family reunion rights (Briggs 2001, Haus 2002, Watts 2002). The reputed logic is that the failure of these countries to control illegal migration has led unions to accept such workers as inevitable and in need of more complete integration and support (Haus 1995, Roosblad 2002, Watts 2002). However, as with the earlier body of theory, the prescribed program for unions remains opposition; pro-immigration stances should only emerge in situations of appreciable union weakness.

Business preferences remain under-specified in the literature. Employers are seen as uniformly supporting immigration due to the propensity of migrant workers to lower wages, keep

the labor market de-regulated, and divide the labor movement (Castles and Kosack 1973, Elsner 1990). Further, it is argued that migrant workers form the core of a secondary labor force that is composed of workers with limited rights and job security who provide a reserve labor army to be drawn upon in times when workers advance aggressive wage demands or go on strike (Piore 1979, Goldthorpe 1984). Little consideration has been given to the changing nature of the labor force such that employers might also have a raised interest in retaining their skilled workers. Opening up certain labor markets to foreign labor could destabilize the regulated conditions under which employers currently refrain from poaching each other's workers. While the secondary labor force theory does offer an accurate portrayal of relatively under-regulated sectors such as agriculture and construction, these conditions do not prevail across all sectors.

The choice of employers' associations as the relevant unit of analysis is based on three considerations. First, while the state is responsible for the drafting and execution of the relevant laws and regulations, in an open, democratic setting it seldom independently seizes the initiative in identifying the area and magnitude of policy needs (Traxler 1999; Culpepper 2003, 53). Second, as opposed to individual firms that suffer a great deal of uncertainty as to the effects of any change and the costs of advocacy, a private association is better positioned to assess the ramifications of a given policy and to facilitate cooperation in the execution of that policy. Third, in an area such as the labor market policy where benefits are concentrated within certain producer groups yet costs remain diffuse, employers are unlikely to encounter much resistance beyond that represented by organized labor. Yet, in contrast to trade unions whose interest in this area lies in preserving the status quo, employers actively identify labor needs and forward policy proposals (Schneiberg and Bartley 2001). For this reason, though the positions of the trade

unions are relevant since they can constitute the major obstacle preventing a liberalization of labor migration, the role of employers as policy initiators is privileged analytically in this study.²

B. Globalization and Varieties of Capitalism

In political economy, the initial debate over whether globalization exists and whether policy convergence is imminent has matured into an attempt to uncover the factors that explain differences in national labor adjustment strategies in the face of increasing economic integration (Kapstein 2000). National institutions are viewed as important mediators of the effects of globalization (Keohane and Milner 1996, Crouch and Streeck 1997, Soskice 1999), but one must keep in mind that certain national institutions, especially those with an economic character, can themselves often be changed through increasing economic integration. Conversely, such analysis must avoid merely casting institutions in the role of exogenous shock-refractors, but rather examine how institutions independently structure the distribution of economic power and the interests and behavior of economic actors (Howell 2003).

A leading approach concerned with this propensity of institutions to shape economic systems goes under the rubric of “varieties of capitalism” and focuses on how configurations of subsystems - such as the financial systems, industrial relations, training and inter-company relations - produce and reinforce the divergent liberal and co-ordinated market economies. In this typology, firms in liberal market economies coordinate their activities primarily via competitive market arrangements, while, in coordinated market economies, firms rely to a greater extent on non-market relationships to coordinate business relations (Hall and Soskice 2001). “Coordinated” and “liberal” market economies, respectively, coincide with those in which business and labor are partners in economic policy formation versus more voluntaristic

² This argument of employer-centrality is limited to the issue of labor migration policy. In other policy areas (for instance, the integration of foreign workers) government and/or trade unions are the driving force behind policy formation, and even in the area of labor migration there are certainly other interested actors.

economies where the individual components of the business system are less embedded in the entire business system. Austria and the Netherlands are coordinated market economies while the UK is considered the European ideal-type of liberal market economies. The component national subsystems do not operate in a vacuum, but rather they are interdependent, mutually reinforcing one another to maintain a comparative institutional advantage for a particular national economy (Hall and Soskice 2003). The next section evaluates whether this approach offers a plausible justification for the manner in which labor migration has recently developed.

III. Business Preferences on Labor Migration

When addressing international labor migration preferences broader societal immigration debates are relegated to secondary importance and mainly serve to delineate the outer boundaries for accepted policy. Preferences for labor migration develop in the business community within firms and their associations³ and therefore, before presenting my framework for analysis, I focus on two other approaches that have attempted to divine employer preferences.

Theory informed by the Marxist concept of the secondary labor force tends to view all employers as sharing a pro-immigration bias (Castles and Kosack 1973, Piore 1979). Under this model, both employers and trade unions derive benefits from the perpetuation of a secondary labor force that remains highly exposed to market forces and managerial discretion, while at the same time acting as a shield for a primary work force comprised of domestic workers who enjoy extensive rights and exhibit organizational strength (Piore 1979, Goldthorpe 1984). The question of whether there is an actual shortage of a particular type of worker becomes moot, as employers

³ While I use both the terms “firms” and “employers”, “firms” refers to individual companies, and is also a recognition of the varieties of capitalism approach that identifies itself as based on the logic of the firm. When the term “employers” is used, it encapsulates both firms and the larger associational entities in which firms are organized. In those countries or industry areas where firms do not utilize collective organization, I still use the overarching term employers, despite that it may only be firms that are advancing a particular policy preference.

are seen to be perennially striving to maintain a secondary labor force that can be brandished to temper the demands of their own workforce if necessary.

Secondary labor force theory suffers from a monolithic and static view of employer and union preferences. While immigrant labor has helped prop up secondary-type pools of labor in certain less-regulated economic branches such as agriculture, care provision, and hotels and restaurants, it has been pointed out that the majority of Western Europe's immigrant labor is part of the primary labor force (Zimmermann 1993). Immigrant labor is an intrinsic component of the labor force that cannot be replaced and therefore constitutes neither a buffer nor a disciplining threat to domestic workers (Seifert 1995). Employer preferences often vary depending on the specific economic branch, so that migrants are embraced in IT but unwelcome in construction (Faist et. al. 1999, Menz 2002).

The different theoretical direction offering insight into employer preferences is the aforementioned varieties of capitalism approach. It has not addressed the issue of migration policy,⁴ yet it enables us to derive a set of hypotheses as to how employers in the different market systems should side on the issue of labor migration. Viewing labor migration as a furtherance of labor market deregulation, one would expect firms in liberal market economies to exhibit greater support for labor migration while firms in coordinated market economies such as Austria and the Netherlands would likely be suspicious that a deregulating influence upon the labor market could also diminish the comparative advantages that employers draw from established institutions in industrial relations and vocational training. Nevertheless, labor shortages also occur in coordinated market economies, and if these needs cannot be met adequately through the established training programs it is foreseeable that employers could favor

⁴ Menz (2003) has examined how varieties of capitalism appear to have affected social partner preferences on the regulation of the construction industry. This involved an examination of the regulation responses of several European countries facing large influxes of posted workers from fellow EU countries.

recruiting foreign labor, provided that such a program is clearly defined and regulated to ensure minimal disruption to the labor market.

While the ‘varieties’ approach provides a valuable analytic tool for explaining why firms in coordinated market economies are often cautious of deregulatory policies, it is criticized for characterizing economies as national (Howell 2003, Watson 2003). The framework approach would benefit from theory and empirical work that identifies which types of sectors fit best within a particular national variety of capitalism and which sectors do not align well with other national institutions.⁵ This would avoid some of the determinism for which this approach has been criticized. Areas of policy convergence between countries considered to represent different varieties of capital, as well as divergences within countries, suggest that there are differences as to how embedded particular sectors are within their designated national variety of capitalism.

Marginson and Sisson argue that “the homogeneity of institutions, practices and customs that gives national systems their distinctive character is being fractured as new forms of ‘isomorphism’ reach across borders and within sectors and MNCs” (2002, p. 680). General economic policies reflect the preferences of the most powerful sectors within a national economic pluralist system (Rogowski 1987, Bearce 2003), but the prevalence of sectoral labor migration policy signals both an absence of consensus amongst employers and the insufficient influence of any one sector or group of sectors in securing the passage of policies extending beyond its own sector. Firms are the drivers of institutional change, and in the cases observed they are responding to institutional incentives that are inextricably bound up with the industrial

⁵ Garrett and Way (1995) and Shafer (1994) have explored how different sectors affect the relative autonomy and capacity of the state to restructure political economic institutions. Respectively, they employ the term “sector” to mean either public versus private sector or traded or non-traded sectors. Since there are no definitive criteria for delineating sectors, I follow the example of Hiscox (2001), who uses the term to mean roughly the same thing as industry branch.

structure (Marginson and Sisson 2002) and therefore manifest themselves at the sector level. To hypothesize the preferences of employers with regard to labor migration policy, the important questions to be answered are “which sectors have labor force flexibility needs that cannot be solved within the firm or national labor market,” and “what determines these flexibility needs?”

IV. The Argument

The primary determinant of firm preferences on immigration has been the shift in overall characteristics of the labor market (see Appendix B). The growth of the services and the decline in manufacturing has been gradual over time, yet a pronounced difference can be ascertained – especially in relative terms – when comparing the size of the various economic branches in the 1970s to today (Vogel 2001, Howell 2002). This is reflected in the type of labor that began being recruited by countries such as Germany or the Netherlands in the 1960s. While there was also demand for certain types of skilled workers, it was predominantly unskilled foreign labor that entered the labor market in both the service and manufacturing sectors (Kindleberger 1967, Biffi 1986, Münz and Ulrich 1997). In contrast to this common demand for unskilled labor that ran across most industries, new foreign labor is now mostly centered in the service sector, and then only in particular branches (Zimmermann 1993, SOPEMI 1999, Biffi 2003).

A. Employer Flexibility Concerns

The first stage of the analysis acknowledges that shifts in the labor market due to technological advances as well as changes in production methods have led to labor market shortages that are more particularized than a generation ago. However, no theory has been developed yet on the labor migration preferences of firms in different sectors. With the exception of firms in the IT sector, most other employers operate in sectors that are able to access local workers because the skill set being sought is not extensive. Nevertheless, some employers

choose to resort to foreign labor, which is an indication of a perceived qualitative difference between foreign and domestic workers. Given the costs of finding foreign workers and the potentially greater challenges of integrating them into one's workforce, it is clear that there must be a discernable difference. For purposes of this analysis, the term 'flexibility' will be used to connote this quality that employers seek that contemplates a more fluid labor market that allows for greater differentiation in pay and qualification schemes, so that changes in demand can be dealt with quickly and without stressing the core labor force within their firms.

We distinguish between four types of flexibility that firms seek from their labor force. Numerical flexibility is the ability to hire-and-fire rapidly in step with demand fluctuations, while temporal flexibility allows employers to adjust the amount of labor utilized to cyclical/seasonal demand shifts. Wage flexibility requires independence from collective bargaining or statutory pay scales. Finally, functional flexibility describes the ease with which employee tasks can be adapted to changes in demand.

Among the various types of flexibility, employers are especially interested in using labor migration as a means for improving the numerical, temporal and wage flexibility of their workers. Labor migration presents employers with workers who are more transient than their own domestic labor force. This is only the case if the foreign workers are only entitled to limited stays, so employers in sectors that experience rapid fluctuations in demand push for labor migration policies where workers are only entitled to a limited stay. Seasonal and short-term labor permits also offer employers an opportunity to address cyclical labor shortages in a manner that does not antagonize organized labor due to the limited time frame and scope of the employment relationship. Thus, temporal flexibility is supported through programs of limited duration that nevertheless allow for sizeable influxes of foreign labor during periods for which

shortages are foreseeable. Finally, employers have an interest in carving out a degree of wage flexibility in those sectors where the jobs offered are unattractive to local workers due to difficult working conditions. Therefore employers want to assure that policies governing foreign workers place these workers in a qualitatively different status from domestic workers who enjoy greater security and access to benefits and who are therefore less willing to accept such conditions. The IT and hospitality branches strive for at least one variant of flexibility, and it is this quality that drives their pursuit for non-permanent, limited durations visa schemes for foreign workers.

While employers generally strive for at least one manifestation of flexibility, their ability to access certain types of flexibility depends on the degree that a particular sector is regulated. For instance, regulations enforcing strict working conditions make it challenging for firms to introduce new job conditions without substantially altering the pay scheme (Siebert 1997). Conversely, rigid regulation of wage scales makes it even more difficult for employers to adjust their strategies to rapidly changing market conditions. Branches with more regulated labor markets cannot satisfy their flexibility needs simply by adding more workers, since common job descriptions prescribe uniform wages, benefits, and working hours. Newcomers to these labor markets, such as immigrants, are integrated on the same terms as the domestic workforce, and therefore do not constitute an alternative to employers in these branches. In the less regulated branches within the service sector, there is far less standardization as to job descriptions and the attendant hour and wage prescriptions, and this is where the calls for labor migration are the most strident. However, the urgency of these pleas alone does not lead to policy results. Before employers achieve the policy results they crave, there are still several domestic institutions that can influence the degree to which employer interests are transmitted to the government, much less whether they even end up becoming policy.

B. Domestic Institutions

While these changes in the labor market have taken place to similar degrees across industrialized nations, it would be a mistake to conclude the analysis at this point in the belief that sectoral preferences lead to sectoral policy outcomes. The labor migration preferences of firms in industrialized Western Europe cannot be understood in isolation from their respective national market institutions (Vogel 2001). Drawing from the literature on varieties of capitalism (Crouch and Streeck 1997, Hall and Soskice 2001) and national business systems (Wade 1996, Whitley 1999, Soskice 1999), in the second stage of the analysis I identify three institutions of national business systems that impact upon the preferences of firms.⁶

First, it is important to realize that especially in continental Europe firms' preferences are shaped by and aggregated through their membership in various associations (Thelen 2001). The initial preferences at the firm or industry level often must be subjugated to the broader interests of a larger confederation (Mares 2003). Moreover, if there is only a minimal level of autonomy for individual firms or industry associations, they may even cede the prerogative to provide policy input should they believe that the overall confederation has greater expertise in that area or can be trusted to take proper account of the sector's "best interests." With respect to labor migration, this means that employers seeking a policy that is not in accord with the general position of the confederation may have to decide whether they can afford to clash with their confederation, without whose support it is difficult to successfully lobby the government.

⁶ I use the term "preferences" as defined by Frieden (1999), who distinguishes between preferences, which are the way an actor orders possible outcomes of an interaction, and strategies that take into account the environment (other actors, their expected behavior and available information and power disparities). While Frieden's analysis is more rationalist in its strategic take on preferences, I acknowledge that to a degree the preference formation process is affected by the concepts of role and identity, which develop more sociologically than through a utilitarian calculation that is isolated from context or history.

Second, while trade unions do not constitute a monolithic anti-immigration bloc or organize pro-actively as policy entrepreneurs on issues of labor migration, their presence is another key element that refracts employer preferences. Employers must factor in the organizational strength of unions as well as their influence vis-à-vis the government to assess the degree that union opposition must be addressed and compensated for. Frequent interaction between the social partners can lead to changes in the self-perception of employer roles and duties to the extent that initial preferences are calculated differently than in other countries where social partner relationships are simply adversarial. Where unions are well organized and can point to genuine flexibility alternatives that privilege their domestic constituency, employers may be forced to negotiate in advance with their union counterparts before bringing policy proposals to the government. These first two domestic institutions that reflect industrial relations are a testament to the validity of varieties of capitalism thinking since they highlight the different set of obligations and opportunities that exist for firms depending on whether they find themselves in a coordinated or liberal market economy.

The third factor that colors the preference formation and expression process is not economic, but rather deals with the degree to which the issue is couched in non-economic terms. Immigration is a contentious issue, so the successful passage of labor migration policies has depended on the ability to steer clear of national debates on the larger topic of immigration. In Austria and the Netherlands the rise of populist parties that espouse anti-immigrant sentiments have led not only to demands that immigration be curbed but also simply for redoubling integration efforts. Certainly, the weeks after the respective murders of Pim Fortuyn or Theo Van Gogh⁷ would not have propitious for the introduction of a new Dutch labor migration initiative,

⁷ Van Gogh was a Dutch filmmaker who was murdered in 2004 by a Dutch-born youth of Moroccan heritage who justified the killing as a defense of Islam, which had been purloined through a controversial film of Van Gogh's.

regardless of how critical labor shortages might have been. A debate over labor migration policy reform that can be argued primarily in terms of economics (or better yet for employers, not argued at all) stands a better chance of being resolved in favor of liberalization.⁸

V. Labor Migration in Austria and the Netherlands

A. A Brief Survey of Austrian and Dutch Labor Migration

By the early 1960s, Austria was experiencing a substantial exodus of domestic workers who were attracted by the higher-wage German and Swiss labor markets (Bauböck 1996, 12). Until 1962, all permits were handled individually, so that foreigners could only be hired if no local candidate was found. This process was supplemented by the 1962 Raab-Olah Agreement under which up to 47,000 foreign workers could enter through a system where social partner representatives from the separate industrial sectors set annual quotas for 50 individual branches in each of Austria's nine provinces. Foreigners were guaranteed the same wages and working conditions as natives, but firms were required to fire foreigners first and permits were valid for but a year. Thus, Austria's system is a classic guest-worker system, in that a larger percentage of foreigners are part of the workforce. In 1971, 65% of foreigners were employed and in 1981, still 57% of all foreigners were employed (Biffl 1986, 35), higher than Germany's 45%.

The corporatist and federal nature of Austrian policymaking has resulted in a convoluted process. Employers at the Länder-level first work out their needs by type and number, which are then aggregated at the national level. The resulting numbers are then reviewed by local labor offices at the Länder level (*Länderarbeitsämter*), which pass them on to the Minister of Labor who then approves and passes quotas back down to the same local labor offices. Though the Minister's decision is open to political interference from other ministries and political parties, in

Fortuyn, a Dutch politician who formed an independent party with a strong anti-immigrant platform, was murdered in 2002 by a fellow Dutchman who was aghast with Fortuyn's strong anti-Islamic sentiments

⁸ Appendix C features a detailed flowchart of the entire policy formation process.

the past the authorization was regarded as a rubber stamp. Some commentators argue that the degree of social partner control defuses the process politically by absolving the government from responsibility (Wimmer 1986, 8), but the results of the negotiations receive a good deal of press coverage, which assures for a high degree of accountability. Austria is unique in the degree to which the social partners and particularly unions control the labor migration process.

The Dutch immigration experience contrasts notably with that of Austria. Though both instituted guest worker programs, the Netherlands was also the center of a colonial empire from which a large portion of its immigrants hail. The Indonesian Dutch, Mollucans, and Surinamese, are considered Dutch citizens and rendered statistically invisible unless one speaks in terms of ethnic minorities. These inflows were triggered by colonial obligations rather than economic considerations, and despite their size (nearly one half million by 1979) by the late 1950s the Dutch labor market had become very tight, with unemployment hovering at about 1% from 1960 to 1966 (Guiraudon 1997, 312). The government response was to recruit Spaniards and Italians in the late 1950s, and formal recruitment agreements were signed, first with Turkey in 1964, and subsequently with Morocco in 1969.

Dutch intentions for foreign workers to remain guest workers (*Gastarbeiders*) proved effective initially. The government – supported by industry, unions and churches – favored a worker rotation program under which single males were entitled to a maximum three-year stay (Beyer 1979, 117). After the oil crisis in 1973, unemployment rose rapidly, and the government stopped issuing new work permits for all but high skilled workers. This did not alter the fact that a large percentage of Turkish and Moroccan immigrants chose to remain. Yet, not until the publication of a 1979 report of the Scientific Council for Government Policy (WRR) the government did not acknowledge that these had indeed become permanent immigrants rather

than mere guests (Entzinger 1994, 100). Only then were coordinated efforts made to integrate foreign workers and their families and to combat employer discrimination. The government is now unable to control about 60% of immigration that takes place since roughly 30% of those immigrating are already Dutch citizens, 15% come from EU countries and 10% enter via family reunion policies. Only the remaining 40% are subject to control since they are asylum-seekers or attempting to access the labor market (Doomernik et al. 1997, 58).

B. Information Technology as the Catalyst

Shortages in the IT sector have provided a common impetus for expanding and recasting the entire debate on labor migration in Europe. In 2000, at the Lisbon Summit national leaders of the European Union member states set a goal for the EU to become the most competitive knowledge-based society in the world by 2010 (European Commission 2002). This mirrors the concerns of various Member States as well. The sector has experienced enormous growth in the last 10 years, as evidenced by a 40% rise in computer workers as a percent of total employees in the EU from 1995 to 1999 (SOPEMI 2002, OECD 2002). Most occupations in the sector are high-skill, but due to the infancy of the industry as a whole, most countries' systems for training workers proved unable to meet the intense rate of increased demand ("Ausbildung..." 2000, Milne 2000, Brace 2001). In contrast to the manufacturing sector where employers prefer domestic workers whose skills and qualifications are standardized through systems of training of a more national character, the global nature of IT enables workers from different corners of the world to perform the same job. The rapid growth of the sector also inhibited the development of an extensive system of regulation. Businesses have been anxious to avoid regulation that sets firm wage rates or job descriptions while workers also prefer flexible pay arrangements and

working hours. This conjuncture of conditions led many countries to view foreign labor as the ideal solution to their skills shortages – at least in the short-term.

1. Austrian Caution

In Austria, the debate over information technology is the product of the developing international awareness of this issue. Chancellor Schröder's pronouncement of the Green Card program in Germany in 2000 triggered discussions in Austria as well. Before this time, computer experts were part of the general quota allocated to skilled workers, which meant that their access to Austrian labor market was limited. In 1998 there was already a 20,000 shortfall of computer specialists ("Bartenstein will..." 2000). In 2000, only 780 students throughout the country were engaged in computer training programs at the university or technical college level, and only 430 were actually graduating that year (Linsinger 2000). The training system was unprepared for the demands that were advertised throughout Western Europe at the time. Unsure for how long these shortages would persist and exactly how urgent the need to have computer support staff would remain, Austrian businesses became obsessed with external numerical flexibility. How else could employers in their controlled labor market ensure that they would find sufficient IT workers?

The newness of the branch has meant that the key advocates and proponents of policy have been employers and unions at the peak level. Though the peak level employers' federation, the *Wirtschaftskammer Österreich* (WKÖ) has traditionally been the more vocal of the social partners on the business side, the novelty of this issue meant that it had not accumulated appreciably deeper expertise than the *Industrielle Vereinigung* (IV). The IV has been at least equally involved in the policy debate over the necessity for a sectoral program, yet both were unprepared for the IT skills shortage that 'raged' by 2000 (Interviews WKÖ and IV). The

confluence of the small size of the branch and the low unionization rates of computer workers also kept the unions from making any connections between foreign workers and the IT industry.

Within a few weeks after the German announcement of the Green Card program, a joint report from the Austrian market research firm, IDC, and Microsoft was prognosticating that within three years a shortage in the order of 85,000 IT specialists would develop. With this report in hand, the IV was soon knocking at the door of the Ministry of Economics calling for the government to present some manner of labor migration proposal for the IT branch. The response was soon in coming, and in August of 2000, the Ministry issued a decree by which IT workers were classified as key workers (*Schlüsselkräfte*), meaning that to be issued a work permit for such a worker, employers would not be subject to first having to show that they had sought such a worker domestically or within the EU (“Bartenstein will...” 2000). While workers were still subject to immigration control, this meant that the wait for receiving a permit was reduced to 4-6 weeks, greatly enhancing their numerical flexibility. To avoid undercutting local wages, key workers must receive a minimum of € 2100 per month. When employers complained that often, qualified specialists were ineligible under the key worker provision since they did not possess the requisite degree in computer science, the Ministry of Business and Labor decreed in December that workers without degrees could be employed if their salary exceeded € 3240. Should these provisions prove insufficient to meet the needs of business, Bartenstein declared that the government was open to increasing the key worker quota. This proved unnecessary.

Pleased with the government’s initiative – though not necessarily with the size of the quota – the response of the business community was heightened involvement in the form of further policy proposals and ‘education’ of the public. The IV pledged that its members would begin sponsoring Austrian students who decided to pursue a degree in computer science to

ensure that Austria would remain an attractive site for multinational firms (“Industrie für ...” 2000). Recognizing that shortages could not be solved in the long-term simply through immigration policy, the WKÖ and IV both encouraged the government to invest in higher education, and the WKÖ allocated € 1.5 million to firms that provided internships in the IT field (Unterhuber 2000). With social partner interaction being so tight in Austria, it becomes difficult to assess whether these initiatives represent genuine employer desires to see an expansion in teaching capacity, or whether they were in anticipation of criticism from the labor movement. The *Arbeiterkammer* (AK), a think tank with ties to trade unions initially accused employers of trying to evade their obligations to train domestic IT workers, and demanded that the government first commit itself to training programs before conceding any further labor migration demands to the employers (“Arbeiterkammer gegen...” 2000). However, uncertain as to the severity of the skills shortage, the Union for Private Sector Employees applauded the key worker provision, and even supported the possibility of expanding the program in the short-term if sufficient demand became evident (“Gewerkschafter lenkt...” 2001).

The fact that not only employers, but also unions recognized a skills shortage in the branch emboldened the administration to authorize that 600 further permits would be allocated to the quota for IT workers in 2001. This may sound minor, but considering that the total immigrant permits for the year was only 8518 (with 5490 allotted to family reunification), and that in the previous year only 250 applications were made out of a possible 1000, it was quite brazen by Austrian standards. Though in 2001 and 2002 fewer IT workers were brought in than the quotas permitted, firms were still insisting that they had needs that were not being addressed (“Trotz, ‘Dotcom-Sterbens’ ...” 2001). Frustrated that its attempts to solve the needs of the branch did not have the desired effect of attracting foreign workers, the government cut down on its allocation

of key worker permits for the year of 2004 (Asamer 2003), and once again in 2005. Unions claimed that the slack demand proved that employers' claims were unfounded, while business continues to protest that shortages persist, but that Austria is simply not an attractive destination for IT workers (Interviews, IV and WKÖ-IT).

In the IT sector there are numeric flexibility needs that employers are seeking to address. The fact that Austria's is a coordinated market economy has not secured any advantage for firms in the form of producing a deep domestic pool of trained workers. The greater accountability of the social partners in a strong corporatist configuration has proven to be a double-edged sword for employers. Attempts to rapidly introduce a large-scale migration program for IT workers foundered, due less to the presence of a vigilant and skeptical labor movement than the general conditions of the labor market (Interview AK). Austrian wage equality means that domestic IT jobs are not overly attractive to either homegrown specialists, who often travel abroad in search of greater fortunes, nor even to most foreigners (Hoorn 2001). For wage flexibility to become a salient concern, Austria would first have to experience changes in its overall wage structure that allowed for greater differentiation between various types of workers and occupations.

2. Dutch Success?

The IT sector in the Netherlands occupies an important position within the economy, as it is a country with a highly internationalized economy where large multinational firms play a greater role than could be said in the case of Austria. Large firms provide the lions' share of IT services and therefore employ such workers (Kolb et al. 2004, 152). The growth of the jobs in computer services/ICT from 1995 to 2000 was rapid, doubling from 47,500 to 115,900. From 1996 to 2000, the amount of permits issued to foreigners in IT rose by over 400% from 414 to 2209 (Dobson and Salt 2004, 135).

Unlike other policy issues that are debated and often resolved within the Social and Economic Council⁹ (SER), the issue of labor migration was not addressed. Since the government sets the agenda for deliberation in this body, the failure to raise this issue does not mean that it was not on the mind of the social partners. Dissatisfied with the failure of the SER to deal with the issue of hi-tech worker shortages, a coalition of the peak employers' confederation, VNO-NCW, FENIT (the IT sector trade association), and a few individual large firms including Germany's Siemens and the Netherland's own Phillips began lobbying the government to offer some relief. Employing the rhetoric of the European Commission's Lisbon Agenda with its intention to create a knowledge-based European economy, they also pointed to the German Green Card initiative, in the hope that the government would institute some manner of quota system for foreign IT workers, and that the government would provide some centralized recruitment coordination (Interview VNO-NCW).

The government responded swiftly. As of May 1, 2000, Article 13 of the Aliens law (*Vreemdelingenwet*) eliminated the employer requirement to first make a domestic job search for IT workers. A further regulation (the *AD-regeling*) that went into effect on February 22, 2001, freed employers from advertising their vacancies for ICT jobs at the higher vocational education level. Rather than introducing a quota system under which foreign IT workers would not be subject to having their credentials scrutinized on an individual basis, the standard work permit procedure still had to be followed. This entails a substantial waiting period during which applications first pass through the Labor Office for approval of the work permit, before the application advances to the Immigration Service which issues the work permit after completing a

⁹ The SER is the main advisory body to the Dutch government and the parliament on national and international social and economic policy. It is financed by industry and is wholly independent from the government. It represents the interests of trade unions and industry, advising the government (upon request or at its own initiative) on all major social and economic issues. As such, it represents and institutionalization of corporatism.

background check on the applicant. However, the downturn of the IT sector in 2001 led to the termination of the program as of January 1, 2003, making it relatively short-lived.

The unique conditions of the IT sector were re-affirmed in the following year, when on October 1, 2004, Minister Verdonk introduced the *kennismigrantenregeling*, an accelerated procedure for issuing permits for highly skilled workers. A research group known as the Innovation Platform had generated a report, “Borderless Mobility Knowledge Migrants,” which reiterated the need for rapid access to IT workers, even if the general demand for such workers was no longer pressing. In response to the reports’ claim that it was numerical flexibility rather than wage flexibility that was lacking, the new procedure makes foreign ‘knowledge workers’ who earn more than € 45,000 exempt from needing a work permit, so that they merely need to qualify for residence. Recognizing the importance of foreign instructors in the information technology field, postgraduates and university teachers under the age of 30 are also considered ‘knowledge workers’ if their income exceeds € 32,600.

A special sub-office within the Immigration and Integration Service (IND) is responsible solely for these applications, with the goal of being able to process applications in two weeks. However, a poll by AWWN¹⁰ has shown that applications still often languish for months at the IND, sometimes even for longer periods than permits received under the standard procedure (“Kenniswerkers stranden...” 2005). While VNO-NCW still complains that the process is slower than promised and opaque, since they are used to being able to have access to case-workers (“Employers seek...” 2006), the direction of the critiques makes it clear that the focus of lobbying is far less to change the system and merely the desire for greater administrative efficiency. A half-year into the program, roughly 400 foreigners had taken advantage of the

¹⁰ The AWWN is a partner of the VNO-NCW, but is more of a business association than an employers’ federation. If the VNO-NCW is active at the macro-level of policy advocacy, the AWWN regards itself as an important conduit for information for individual firms and associations at the micro- and meso-level.

procedure (“Netherlands faces...” 2005) showing that if there is truly a dearth of high skilled workers, then it is not at the top wage level, else one would certainly have to expect a greater number of applicants.

In the Netherlands, the influence of employers over policy vis-à-vis unions is greater than in Austria, especially in an area such as IT where there is no real institutionalized regime in place for developing policy. This has meant that business was essentially afforded access to limitless numbers of foreign IT workers. However, with its long processing times, the initial work permit program did not provide the degree of numerical flexibility that is necessary in a branch such as IT. The second attempt to draft a policy to meet the needs of employers picked up on numerical flexibility by promising swift processing times, but by taking away any opportunity for wage flexibility, the program has also been inadequate for solving the skills shortages of the Dutch IT sector. The relatively lower wage structure of the Netherlands compared with Germany, the UK and the US, together with the desire of smaller employers to have Dutch-speaking applicants has rendered the IT worker provisions unsatisfactory. Despite the strength of business and relative appeasement by the trade unions, labor migration into the Netherlands does not come close to approximating the flows that have characterized the British and American cases.

VI. Conclusion

While it should not be viewed as a surprise that business preferences on labor migration are informed by labor market conditions, it is important to recognize that many of today’s pressures are qualitatively different from those in the more immediate post-war era. Preferences and attitudes toward labor migration that developed on behalf of employers during that time may no longer reflect the current state of the labor market. The absence of extensive regulation in IT makes it fertile ground for labor migration demands. The novelty of the sector renders common

constraints such as union opposition and the existence of those training systems that typify coordinated market economies less salient. Government uncertainty as to the ramifications of failing to pursue a sectoral labor migration policy played into the hands of employers, who therefore had far more unadulterated access to the policy-making process than in other issue areas where labor is more equal and vocal partner. However, businesses are not necessarily free to pursue sectoral interests that may only just have become apparent to them as part of the latest burst of economic growth that characterized the latter 1990s.

Instead, the nature of the national or sectoral labor markets in both Austria and the Netherlands has proven an obstacle to the establishment of successful recruitment programs. That these countries cannot be considered corporatist 'birds of a feather' has become obvious when one compares the way in which policy still rests in the hands of the social partners in Austria, while the Netherlands seem to display a far greater pluralist model of policy development in which business is accorded a privileged position. Recognizing that coordinated or liberal market economies are not exclusively national characteristics - but that different sectors within one country may also be more or less liberal or coordinated - helps explain why certain policy preferences follow a common sector logic that transcends national varieties of capitalism. As such, the contribution of this research to the convergence debate is in its insight that one should not simply speak of countries moving along one trajectory or another; instead one should extend the analysis to examine the configuration of key industries within each country before hypothesizing whether and where deregulation is likely to occur.

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Appendix A

List of Interviews

Austria

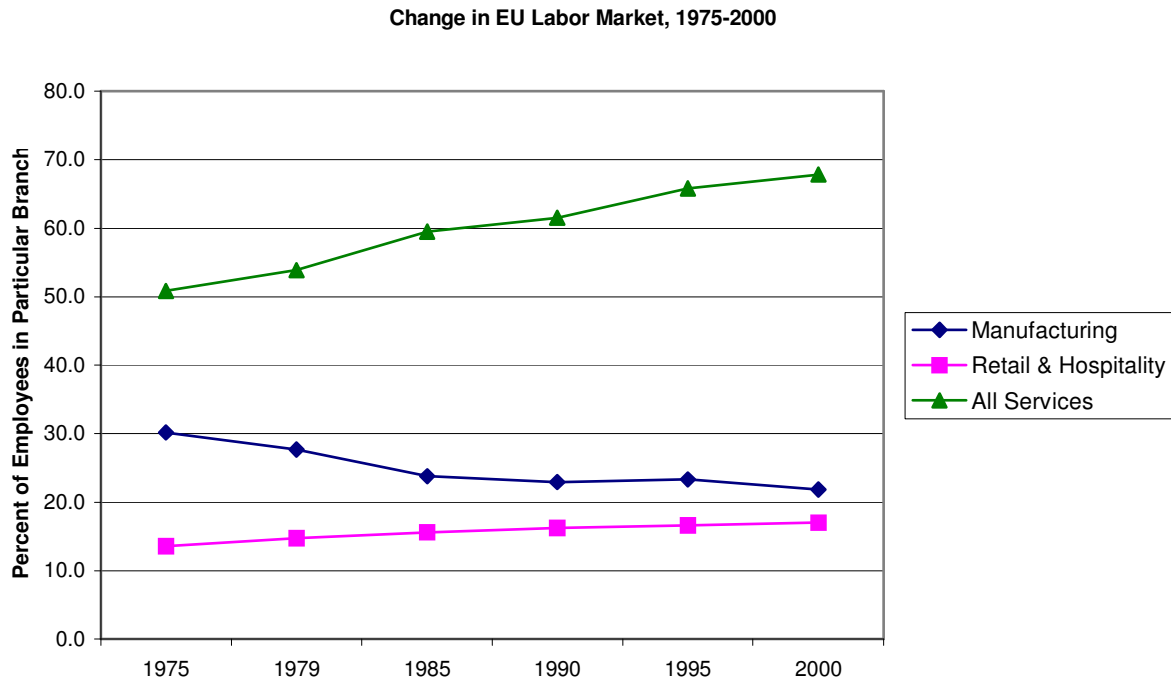
Austria

Arbeiterkammern Wien (AK)	Wien	November 13, 2003
Bundesministerium für Wirtschaft und Arbeit	Wien	November 10, 2003
Gewerkschaft Hotel, Gastgewerbe, Persönlicher Dienst (HGPD) Hotel and Restaurant Directorate	Wien	November 12, 2003
Industriellen Vereinigung (IV)	Wien	November 7, 2003
Österreichischer Gewerkschaftsbund (ÖGB)	Wien	November 12, 2003
Wirtschaftskammern Österreichs (WK)	Wien	November 7, 2003

Netherlands

Economisch Instituut voor de Bouwnijverheid (EIB)	Amsterdam	November 24, 2003
Federatie Nederlandse Vakbewegung (FNV)	Amsterdam	November 28, 2003
FNV Bouw	Woerden	November 26, 2003
VNO-NCW	Den Haag	November 25, 2003

Appendix B



Source: Eurostat, *Labour Force Sample Survey* (Luxemburg: Statistical Office of the European Communities).

Appendix C

Policy Formation Process

