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Abstract. Faced with a declining workforce, why does the Swedish Social Democratic Party (SAP) oppose employer proposals for increased labor migration from non-EU countries? This article explores whether perspectives on policymaking in the varieties of capitalism (VoC) literature can account for this puzzle. VoC scholars maintain that policymakers prefer reforms conforming to the national political economy, improving firm capacity and ensuring better economic performance. Employers are also thought to support policies incentive-compatible with the prevailing model of capitalism. My analysis shows that while the SAP backed labor migration policies compatible with the Swedish coordinated market economy, it did not do so for reasons of efficiency or economic performance. The SAP fears that liberal reform, preferred by employers, will damage the Swedish model, undermine active labor market policies and weaken unions. The case of Swedish labor migration policy underscores how economic reform reflects political conflict and not the desire to preserve equilibrium.

Introduction

European welfare states face the prospect of being placed under considerable financial strain when the first post-war generation exits the labor market in the coming decade.¹ As the population rapidly ages, policymakers are scrambling to devise innovative solutions that can both maintain funding for generous social services and guarantee a long-term supply of labor. Against this backdrop, an increase in labor migration has been singled out in a number of European settings as a means for addressing the coming challenge. Both the UK's Highly Skilled Migration Program and the German Social Democratic Party's failed effort to implement a points-based system for economic migration stand out in this regard. Yet, not all European governments have been equally willing to grant third-country nationals access to domestic labor markets. Sweden stands out as a key example in this regard. Demographic and labor market forecasts pointing to a sharply shrinking workforce over the coming decade have led to substantial public discussion within Sweden over whether to reintroduce wide-scale labor migration. Employers and bourgeois parties sing the praises of less restrictive migration policies for third-country nationals. Yet, the Swedish Social Democratic Prime Party (SAP) remains firmly opposed to calls to liberalize Sweden's strict labor migration policy.

Indeed, at the same time as debates have intensified regarding the potential of labor migration for European economies, scholars with an interest in migration policy have been quick to

note the reappearance of labor migration on the policy agenda, and following decades where most migration research centered on refugees and asylum-seekers, attention is once again focused on reforms that would expand the number of foreign workers into Europe's welfare states. However, despite the fact that any debate over the potential value of changes in labor migration policies inevitably touches upon core issues associated with the politics of economic reform, few recent studies have seriously sought to apply leading theories in comparative political economy to an analysis of labor migration policymaking. Maarten Vink has observed that migration scholars have documented much of the "nitty-gritty" factual material pertaining to migration, yet less emphasis has been devoted to exploring how the politics of migration can be informed by theoretical approaches employed throughout political science.ⁱⁱ Along similar lines, Gary Freeman has suggested that there is no reason to think that the politics of migration does not follow "well-established paths similar to those associated with the politics of trade, welfare...and all the other issues that political scientists study."ⁱⁱⁱ

In this paper, I explore the extent to which the broad economic and social policymaking logic within the varieties of capitalism (VoC) literature can successfully inform our understanding of the labor migration reform process currently underway in Sweden. The VoC literature is thought to open up "substantial new perspectives on both economic and social policymaking," with proponents hypothesizing that institutional change and policy reform within liberal market economies (LMEs) and coordinated market economies (CMEs) will generally be complementary with the broader pattern of coordination defining a given political economy.^{iv} Labor migration reform in Sweden is particularly well-suited for exploring the explanatory power of this assumption towards economic and social policymaking. Sweden is routinely characterized as a prime example of a coordinated market economy in this literature, and as such, constitutes a critical case. Further, the debate over labor migration reform in Sweden has repeatedly centered on issues that are central to scholars working in the VoC approach, including the desire of firms to secure an appropriately skilled workforce, as well as patterns of coordination between social partners on wage and productivity levels. Finally, the debate over labor migration reform has importance for the closely related discussion within comparative political economy regarding the extent to which Sweden should still be regarded as the archetype of a corporatist political system.

The analysis in this paper presents a case that is at odds with the view of economic and social policy reform developed in the VoC approach. A key assumption of this literature is that only economic policies "complementary to the coordinating capacities embedded in the existing political economy" will be effective policy choices. Such incentive compatible policies are thought to be preferred by governments in order to reinforce the capacities of firms and to ensure "better economic performance". Yet, the analysis presented here shows that while the SAP has consistently backed a coordination-compatible labor migration policy, it did not do so for reasons of efficiency or economic performance goals. Rather, both in and out of power, the SAP feared that liberal reform, as preferred by employers, would damage the Swedish model as a whole, undermining Swedish active labor

market policy and weakening the Swedish trade union movement. The case of Swedish labor migration reform highlights the degree to which political conflict between labor and capital remains a central feature of the economic policy reform process, a feature that is underdeveloped within much of the VoC literature. The intense debate over the future of labor migration in Sweden underscores the degree to which battle lines are sketched out on the basis of interests and not on the basis of a perceived contribution to maintaining institutional equilibrium.

This paper proceeds in the following manner. I begin with a discussion of why it is that labor migration policymaking warrants our attention, emphasizing those factors that underlie its increased salience among European policymakers. I also make a distinction between two broad ideal types of labor migration policy being debated in Sweden, liberal and coordinated. I then present a summary of the VoC approach, focusing on assumptions of this literature that are relevant to policymaking. The paper then shifts gears to the empirical section, first providing a brief overview of current Swedish labor migration policy. I then discuss recent employer proposals for a relaxation in the rules governing labor migration, emphasizing how the implementation of employer preferences would result in a largely market-based approach to migration, and would end coordination over work permit applications between social partners and the labor market board. Finally, I focus on the SAP response to these proposals, detailing how Social Democrats dismiss employer calls for reform and support a labor migration policy that will not undermine economic policy efforts to achieve full employment, or that will threaten the position of organized labor within the broader polity. The concluding discussion addresses the implications of the Swedish case for the analysis of economic reform in advanced capitalist economies.

Why labor migration policy?

A rapidly “greying Europe” has put labor migration squarely on the policy agenda across Europe for the first time in over three decades. Between 2000 and 2050, it is expected that the population of the European Union will decline from 482 million to roughly 454 million. As life expectancy increases, the elderly dependency ratio is forecast to skyrocket throughout the EU, more than doubling between 2000 and 2050. Across Europe’s welfare states, from those with the most generous range of benefits to those that are more restricted in scope, the question of how to address this demographic time bomb presents a significant policy challenge. The continued provision of generous social services, as well as the overall health of Europe’s economies, is frequently viewed as being heavily dependent on the extent to which policymakers are adept at dealing with shifts in Europe’s demographic

make-up. Less restrictive labor migration policies are now being cast as a partial solution to this challenge and have been proposed or implemented in a number of settings, including the Highly Skilled Migration Program in the UK, the current German proposal for the implementation of a Canadian-style points system to manage the permanent migration of foreign workers, and Scotland's "Fresh Talent" initiative, seeking to attract the "brightest and the best" of a global workforce to Scotland's shores.^v

Moreover, the number of possible labor migrants being considered is far from trivial. In the German case, estimates are that between 75,000 and 100,000 labor migrants per year through 2010 will be needed, and while the Scottish Executive currently aims to recruit 8,000 "New Scots" per year, other figures suggest that this number will have to be revised upwards to roughly 40,000 per year. Even in countries where governments have not supported more liberal labor migration, the forecasted need is substantial. According to the director of the Swedish Labor Market Board (AMS), approximately 45,000 labor migrants per year between 2007 and 2040 will be necessary for Sweden to combat the economic effects of the upcoming retirement wave.^{vi} Such large-scale waves of renewed labor migration can have substantial effects on the economy and polity of the receiving country, including wage levels, union density rates, unemployment insurance and other welfare state policies, and the extent to which foreign workers are able to participate in political life.^{vii} As such, the study of labor migration focuses on concerns that are central to the study of labor politics, welfare state reform, and membership in the demos.

Yet, policymakers are not simply confronted by questions of whether labor migration should be resumed or as to its possible scale. As a review of the Swedish case will show, a central feature of contemporary debates over labor migration is the policy design of different reform alternatives. There, two broad types of labor migration policy have been proposed. On the one hand, policymakers can opt for a strategy of *liberal labor migration*, in which employers are granted control over work permit approvals. This market-based form of labor migration casts the hiring needs of firms as the chief determinant over the granting of work permits. Thus, the scale of labor migration will largely result from the demand for labor by various employers. Moreover, potential migrants are not restricted to a given occupational sector and may pursue possible employment opportunities across the full labor market without state-imposed restrictions reflecting broader employment trends or economic policy goals. Given that employer needs for labor are central to liberal labor migration, economic migrants who find themselves unemployed do not necessarily have to leave the destination country immediately. Rather, as they possess unrestricted labor market access, economic migrants are

free to pursue all employment possibilities while in possession of a valid work permit. Provisions may exist for temporary work permits to be converted into permanent residence permits after a certain period of continuous employment. Finally, to pursue a flexible labor market, liberal labor migration policy can stipulate that social benefits for economic migrants are to be phased in over a number of years, thus providing incentive for migrants to stay active on the labor market.

Alternatively, policymakers may choose to implement what can be termed as *coordinated labor migration policy*, characterized by the inclusion of multiple actors in the work permit approval process, with employers, unions and labor market board officials having substantial input into whether permits should be approved or rejected. Immigrants may be admitted on either temporary or permanent permits. Economic migrants who are admitted on temporary work permits will generally be restricted to employment in specific sectors of the economy, and only granted access after it has been determined that domestic labor shortages exist. Limited, if any, possibilities exist for temporary work permit holders to move freely throughout the labor market and they will generally be expected to leave the country upon completion, or loss, of a job. Social benefits may also be limited for temporary migrants. The initial granting of permanent residence permits for purposes of labor migration will also be dependent upon the existence of skills shortages. As permanent residents may not have labor market restrictions placed upon them, employers can be required to offer open-ended contracts in order to decrease the likelihood that migrants will find movement throughout the labor market an attractive option. Social benefits will generally be provided to permanent labor migrants in the same fashion as they are to citizens. Given that labor shortages can either be partial or general, both small- and large-scale immigration are possible under coordinated labor migration. As the subsequent analysis will show, it is only the coordinated variant that was regarded by the SAP as being incentive-compatible with the Swedish CME.

Why Varieties of Capitalism?

The VoC approach has rapidly become central to the field of comparative political economy. Labeled “the state of the art in institutional analysis,^{viii}” and forecast to frame “more research projects than any other perspective^{ix}” in the coming decade, the VoC literature advances an explanation for why, in the face of globalization and “neoliberal resurgence”, different capitalist political economies have not converged inevitably onto one institutional form. Hall & Soskice argue that this lack of institutional convergence towards

liberal capitalism can be accounted for by examining the functional relationship among institutions of the national economy.^x In doing so, the authors adopt a firm-centered approach to political economy, and justify this choice on the basis of firms being the “key agents of adjustment in the face of technological change or international competition”. While the central agents, firms engage in relationships with other rational and strategic actors as a means of resolving coordination problems in five spheres of the political economy: industrial relations, vocational training and education, corporate governance, inter-firm relations and relations between employers and employees. Based on the institutions devised to solve these coordination problems among competing actors, national economies can be placed into one of two broad categories, either LMEs or CMEs. In LMEs, firms rely primarily on the use of the market as a means of organizing their relationship with other actors, while in CMEs, different means of non-market coordination take precedence.

The emergence of these distinct institutional clusters is largely explained by the presence of institutional complementarities across different spheres. According to Hall & Soskice, the resolution of a coordination problem in one sphere by either market or non-market means will increase the likelihood that a similar strategy will be adopted when facing coordination problems in other areas of the political economy.^{xi} At the same time, emphasis is also placed on the relationship among actors in the economy, which is “constantly subject to negotiation,” with institutions resulting from “iterated interaction, much of it conflictual.”^{xii} However, the VoC literature does not simply address the question of accounting for sustained institutional differences among capitalist economies. Its logic also extends to how social and economic policy is constructed in order to achieve the greatest possible efficiency. In general, a functionalist perspective on public policymaking is dominant in this literature, in which policy measures are intended to maintain and support the broader institutional environment. Hall & Soskice specify that policies stand the greatest chance of achieving desired aims when they are “incentive compatible”: successful public policies are those that act in complement to the prevailing institutional cluster in the national political economy, while unsuccessful policies are at friction with the logic of coordination predominantly operative in the five spheres.

The importance of compatibility between spheres of the political economy and policy reform is also thought to be significant for actors’ policy preferences, with Hall & Thelen noting that institutional complementarities across the political economy will exert a conditioning effect on preferences.^{xiii} As Hall & Gingerich observe, “the political response to contemporary economic challenges will vary across liberal and coordinated market

economies,” with policymakers in LMEs opting for market-oriented strategies, and with CME policymakers avoiding “deregulatory initiatives that increase market competition.”^{xiv}

Focusing specifically on employers, Estevez-Abe, Iversen and Soskice have emphasized how the design of the political economy can shape social policy preferences, in that “rational employers who pursue distinctive product market strategies can benefit from welfare programs and policies that favor their product strategy.”^{xv} Wood makes a similar point in his discussion of economic policy reform, asserting that employer preferences are “derived from the properties of CMEs and LMEs,”^{xvi} and further noting that, “employers will look to public policy to maintain and reinforce the variety of institutional competitive advantage upon which they rely.”^{xvii}

Critics of the VoC approach have taken issue with this functionalist portrayal of institutional reform and policymaking, suggesting that the VoC literature has allotted politics “an extremely thin” role at best.^{xviii} Chris Howell has argued that the VoC approach sees states acting “largely at the behest of employers,” with “employer preferences determin(ing) the content of policy.”^{xix} Howell maintains that, in the VoC approach, states do not “appear to have interests distinguishable from those of employers, nor do they have the capacity to act independently, still less against, employer interests...”^{xx} More recently, Walter Korpi has questioned whether the VoC approach has not mistaken consent on the part of employers for the implementation of generous welfare state programs in CMEs with an actual “first-order preference” to see such reforms enacted.^{xxi}

Related to this is the charge that the VoC approach offers a richer explanation for continuity than it does for institutional and policy change. This emphasis in the core VoC literature on institutional complementarities and supporting public policies has led critics to observe that a blind eye has been turned to cases where the hallmark self-reinforcing equilibrium cannot be considered a realistic diagnosis, and where there are signs of institutional and policy change that could bring about shifts from one mode to another. Germany stands out as a prime example, where partial employer defection from institutions of the labor market leads Blyth to observe that a static portrayal of Germany as the “quintessential CME” may be misleading, as “Germany itself is no longer Germany.”^{xxii} Culpepper’s study of the ways in which European states induce firms to develop vocational training schemes provides an example of movement in the opposite direction, wherein institutions relying on non-market coordination can be fostered in political economies that are not necessarily CME in nature.^{xxiii}

The case study of Swedish labor migration policy lends further empirical support to these broad criticisms in two related ways. First, it provides an instance in which a CME-government opted to maintain incentive compatibility not out of functionalist imperatives, but out of concerns over the implications of a liberal policy shift for cherished features of the political economy. Second, the case provides an example of employers within a CME proposing policy reforms that would ultimately conform better to the institutions of a liberal market economy.

The appeal of drawing upon the VoC approach for a study of migration policy reform should be clear. In the migration literature, shifts in the degree of restrictiveness or openness of a state's labor migration policy have often been cast as being reflexive responses to changes in the national unemployment rate^{xxiv}, and the degree to which affected parties mobilize and engage in interest group politics.^{xxv} More recently, scholars have linked liberalization in labor migration policy to the various discursive arguments mobilized in support of such changes.^{xxvi} Institutions have been assigned a causally significant role, structuring the access that domestic groups have to migration policymakers^{xxvii} and to relevant actors in legislatures, bureaucracies and labor market boards.^{xxviii} However, the question of whether and how shifts in labor migration policies may have an impact on related economic and social policies, and whether this potential impact is a central concern to policymakers engaged in the reform process, has received substantially less attention.

The Swedish Debate Over Labor Migration Policy

Current Policy and Its Origins

As the Swedish Migration Board makes clear to those visiting its website, “obtaining a Swedish work permit is no easy matter.” Since 1972, Sweden has been closed to labor migration for purposes other than filling short-term labor market gaps. In recent years, roughly 300 non-EU economic migrants have been granted permanent residency per year. A significantly greater number of non-EU foreign workers, roughly 10,000 per year, enter Sweden temporarily. In these instances, permits are generally valid for a year at a time, and are not granted unless the county labor market board can certify that the opening cannot be filled by a Swedish or EU citizen. Limited opportunities for permit extensions exist, and such extensions cannot form the basis of a claim for permanent residency. Applicants must demonstrate that they have a written job offer, the relevant union must have voiced its support for the proposed hire, a minimum salary of 13,000 SEK per month must be offered, and housing must have been arranged. Applications must be submitted from abroad and migrants

may not enter Sweden until approved. Temporary work permits are both sector and employer specific, and temporary workers cannot switch employers or profession.

This restrictive admission policy has its roots in the events of the mid- and late 1960s, when the number of labor migrants arriving in Sweden on tourist visas skyrocketed, nearly doubling from their 1960-1964 rates. According to Wuokke Knocke, this influx contributed to a sense among trade unions that they were “losing control”^{xxxix} over labor migrants’ access to the Swedish labor market. Both the SAP and the LO expressed concern that this liberal immigration policy, in place since 1954, threatened wage levels for Swedish workers. Hans Hagnell, a *Metall* union official and Social Democratic member of parliament, stressed that those employers who avoided the payment of higher wages via the use of a foreign workforce “should not, with the help of the labor market board’s immigration policies, be provided with labor.”^{xxx} In a 1967 parliamentary report that gave rise to the current policies, significant discussion focused on how liberal labor migration could limit the success of core Swedish labor market policies, blocking labor market access for groups that have traditionally remained outside the Swedish workforce. The report authors noted that the recruitment of foreign labor, particularly to low wage sectors, could “delay structural transformation within industry and thereby counteract policies whose purpose is to improve the position of low-wage workers.”^{xxxi} Similarly, the authors stressed that labor migration was potentially at odds with policies intended to boost overall workforce participation rates, particularly with regards to efforts designed to encourage workers from the less economically dynamic north to relocate to southern regions experiencing labor shortages. One concern voiced was that foreign workers were likely to seek employment in southern regions where labor was in high demand, yet with a limited housing stock. As such, there were fears that competition between foreign and domestic workers for scarce housing in regions with labor shortages would undermine efforts to increase mobility of the domestic workforce.^{xxxii} A second potential conflict was whether foreign workers or “married women, the elderly and the partially disabled” ought to be the primary strategy for maintaining a steady supply of labor. A potential downside to continued labor migration was noted, as it was argued that labor migrants were more likely to place greater overall strain on societal resources than would domestic groups.^{xxxiii}

Broadly speaking, the strategy chosen in 1967 was to emphasize that liberal labor migration was in conflict with Swedish labor market policy goals of increasing workforce participation rates and attaining full employment. This position remains central Sweden’s current stance on labor migration. The admission of a foreign workforce continues to be

rejected in favor of an active labor market policy that seeks to mobilize domestic labor reserves. In determining those job categories where exceptions are allowed, tripartite consultation among the Swedish Labor Market Board, representatives of organized labor and employers is required.^{xxxiv}

The Confederation of Swedish Enterprise (SN) and Liberal Labor Migration

According to the VoC literature, employers are likely to have their policy preferences conditioned by the specific variety of capitalism that they inhabit. Thus, Swedish employers should prefer the maintenance of labor migration policies that are broadly consistent with the workings of the coordinated market economy. Chiefly, employers should back a continued role for trade unions, employers' associations and labor market boards in the granting of work permits, and the migratory flow should be structured so as to not undermine core economic and labor market policy goals of the Swedish welfare state. However, from late 2001 until the present, Swedish employers have waged an ongoing campaign to ease the substantial restrictions associated with Sweden's coordinated labor migration policy and to introduce a liberal variant of labor migration.

In December 2001, Bijan Fahimi, a board member of the Confederation of Swedish Enterprise (SN) authored a report for the employers' association sketching out how an aging Swedish workforce, coupled with ongoing staffing shortages, made the resumption of labor migration critical.^{xxxv} Yet, Fahimi's call to open the Swedish labor market to non-EU labor migration was also marked by criticism of the current practice in which local labor market boards serve a gate-keeping function with regards to the entry of a non-EU workforce:

When the sluggish decision-making process of state institutions is allowed to control what types of competence firms and society require, timing will inevitably be lacking. We should instead allow for firms to decide themselves regarding the competency they require...Firms should be free to hire the type of competency that they desire, from locksmiths to researchers....If a firm realizes that it's necessary to recruit from other countries, then this should be proof in and of itself that it's difficult to find the competency on the domestic (labor) market.^{xxxvi}

A subsequent report by two SN senior researchers the following spring proposed a revision of Swedish labor migration policy in which consultation with unions over work permits would no longer occur, and wherein local labor market boards would no longer be allowed to limit economic migrants to certain employment sectors:

It is only the individual employer who will, and can, decide which competence is needed for the firm, and who can evaluate if an applicant meets the stated criteria...The principle for labor migration should be the same as for all other recruiting, that is to say that companies that recruit shall get to decide what types

of knowledge and competence they require. This should apply in all branches and sectors. To an ever-increasing extent, firms are looking for people with competence and experience that fit with just that company's specific profile. It is therefore not possible to limit labor migration to specific occupations or educations.^{xxxvii}

Sketching out details of the employers' vision for liberal labor migration policy, the report authors proposed that non-EU citizens would be allowed to enter Sweden for a three month period to conduct a job search; that, upon receipt of a job offer, non-EU citizens would immediately be able to submit an application and would not be required to return to the home country first, that work permits would not be limited to a specific occupation or employer; and that non-EU citizens who worked in Sweden for a minimum of three years would have the possibility of a permanent residence permit.^{xxxviii}

At its heart, this proposal calls for the divorce of labor migration from the heavily regulated world of Swedish labor market policy, proposing its reconstitution in a liberal form, as a private relationship between employer and employee. One of the report authors noted the strong sense of dissatisfaction felt by employers towards the current Swedish labor migration policy, in which employers face considerable difficulty in hiring non-EU workers: "We have a very selective system, that is so extreme, it has really been constructed just to ensure that people are kept outside of Sweden's borders."^{xxxix}

Of particular significance in SN's proposed reform is that employers would have sole authority to determine whether a potential immigrant was appropriate for a given job opening. This change would effectively remove any actors other than employers from the decision-making process on work-permits: labor would no longer be solicited for input, nor would the country labor market board be asked to provide information on local labor market conditions. A 2003 report by SN lobbyist Theodor Paues underscored the opposition by the employers' association to this "centralized and collective labor migration" in which every "application must pass through the local country labor market board, where representatives of the labor market partners evaluate whether the position can be filled by someone already in Sweden." Paues described the SN reform proposal as representing a "decentralized and individual" model of labor migration, in which "there is no need for a centralized test of shortages or coordination of recruitment from other countries. Rather, every company could locally evaluate their recruiting needs, and if necessary, could search for coworkers in other countries." SN maintains that this model of liberal labor migration is advantageous for

Swedish employers in that “companies themselves can decide what type of coworkers they need, without having to go through a detour via AMS or any other authority.”^{xli}

Thus, in contrast to what would be expected in the VoC literature, Swedish employers prefer a departure from the practices of coordination that have been central to Swedish labor migration policy since the late 1960s. Of course, it remains an empirical question as to whether the introduction of liberal labor migration would have broader knock-on effects that could spread to the underpinnings of the Swedish CME. Yet, the market-oriented character of this proposed reform has evoked sharp suspicion from the SAP, who have subscribed to a “nationalist egalitarian” view of migration policy since the late 1960s, stressing that “certain obligations to disadvantaged members of the national political community must be met before newcomers are granted admission...”^{xli}

The SAP Opposition to Liberal Labor Migration Policy

Throughout the 2002 parliamentary election campaign, the response from the then-governing SAP to employer calls for a liberal labor migration policy was unequivocal: to the extent that Sweden was facing a labor shortage, such demand could currently be met by drawing upon extensive domestic reserves. Prime Minister Göran Persson led the assault on SN, making the issue a regular feature of stump speeches and interviews. Persson acknowledged that increased migration might become necessary at some point, but emphasized that the any strategy to fill vacancies ought to begin by providing job opportunities for Sweden’s long-term unemployed, many of whom are refugees. Persson noted that, “As a result of several civil wars, we’ve already taken in so many immigrants that we have to get them out into the labor market first. Otherwise they risk being permanently excluded for the rest of their lives.”^{xlii} Underscoring the SAP belief that liberal labor migration could weaken chances for achieving a higher workforce participation rate, Persson was firm that “we’re not interested in opening up for labor migration...we say no,” until the roughly 100,000 unemployed refugees found work, and until the number of individuals on disability leave fell.^{xliii} Persson repeatedly emphasized that liberal labor migration proposals were fundamentally incompatible with social democratic priorities for economic policy. While at a meeting of EU leaders in Madrid in May 2002, Persson stated that “(Opening Sweden up to labor migration) would be the dumbest thing we could do. It would add to the problems that we already have here...first the unemployed immigrants who are already here have to enter the labor market.”^{xliv}

Other key Social Democrats and state bureaucrats portrayed liberal labor migration as being sharply at odds with core policies of the social democratic welfare state.

As the summer of 2002 approached, future AMS director Sandro Scocco wrote a report for the SAP think-tank *Tankesmedjan* focusing on the coming labor shortage. While not disputing that a general labor shortage would make economic migrants a necessity in the future, Scocco warned that if labor migration became “a lever for pursuing broad political goals, such as tax cuts for the highest wage-earners, as certain interest groups and political parties have done to this point, the question will go down a blind alley. Without cause it will become associated with changes in the balance of power that are disadvantageous to regular wage-earners. That’s both unnecessary and dumb.”^{xlv} In the final week before the election, then minister of agriculture Margareta Winberg denounced a Conservative Party campaign poster lamenting to voters that, “Your son can’t get a job”. Winberg mocked the Conservatives’ sincerity on this issue by pointing to the party’s support for increased labor migration, asking, “Will it be any easier for ‘your son’ to find a job when crowds of new workers come to Sweden?”^{xlvi} Jan O. Karlsson, then minister of migration, stressed that between 1990 and 1995, roughly 400,000 refugees were granted residence permits and that for many of them, the difficulties of getting a foothold on the Swedish labor market were compounded by hard economic times. As such, Karlsson noted that while “the bourgeois parties are now competing to satisfy” SNs call for liberal labor migration, the current need for labor in both industry and the public sector should instead be fulfilled by those “who currently stand outside the labor market.”^{xlvii} AMS general director Anders L. Johansson also maintaining that a forecasted labor shortage of 300,000 by the year 2015 could be met through the activation of the “disabled, those who have opted for early retirement and those enrolled in labor market programs.”^{xlviii} Taken jointly, it is clear that key Social Democrats and government bureaucrats repeatedly emphasized the disjunction between liberal labor migration and the economic policies of the Swedish CME during the 2002 election campaign.

Yet, the return to power for the SAP that year did not spell the end of the debate. In spring 2003, the ruling Social Democrats were unable to block an alliance between the four bourgeois opposition parties and the Greens, who mustered the necessary votes for establishing a parliamentary committee of inquiry charged with reviewing existing labor migration policy and proposing reforms to grant third-country nationals increased opportunities to work in Sweden. While the SAP was not opposed to an overview of labor migration policy, it sought to limit the committee’s mandate to an analysis of “the need for labor migration from countries outside the EU and the consequences for, among other things, the labor market.”^{xlx} Indeed, the day after the bourgeois-Green alliance was publicly announced, Minister of Working Life Hans Karlsson pinpointed liberal labor migration as a

threat to the long-term stability of the Swedish welfare state. In rejecting the idea that the government ought to approve applications from counties and municipalities that had proposed themselves as pilot areas for increased labor migration, Karlsson stated:

For me, as a social democrat, it is a matter of exceptional concern that increased labor migration is not used as a neo-liberal wedge to break up the model that has developed on the Swedish labor market. It is a model that is built upon...strong trade unions, collective agreements that are broadly encompassing, and labor law that strengthens the individual's position. The fear that comprehensive labor migration could lead to wage-dumping as well as increased divisions in society, and thereby threaten welfare and security, must be taken seriously.¹

Leading Social Democrats parliamentarians pointed out that calls for liberal labor migration were linked to other bourgeois reform efforts that were seen as likely to have negative consequences for Social Democratic economic policy. In an op-ed piece published in the business daily *Dagens Industri*, Anders Karlsson and Tomas Eneroth asserted that it was “hardly a coincidence” that the two bourgeois parties were so actively campaigning for liberal labor migration, as they had also proposed an overview into the formation of Swedish labor law. For the SAP, it appeared to be simply a matter of linking these two puzzle pieces together. In challenging the Liberals and Moderates to detail which features of Swedish labor law they hoped to revise, Karlsson and Eneroth stressed the interrelationship between the two policy initiatives, concluding that, “Consequently, the demand for unregulated labor migration is being used as a back door for driving wedges into, and breaking up, the Swedish model of strong trade unions, collective bargaining agreements and wage-earner protection.”^{li}

It is important to note that the SAP did not rule out the eventual reintroduction of wide-scale labor migration, assuming it could be done in a fashion consistent with the labor market policies of the Swedish CME. In the summer of 2003, Göran Persson was candid that Europe as a whole could expect a labor shortage, even after “unemployment has come down, the refugees that are not currently included in the employment statistics have found jobs, and early retirement and sick leave has decreased.” The solution, at that point, according to Persson, would be increased labor migration. However, while acknowledging that “inspiration and knowledge” could come from other countries whose economic growth owes much to large scale waves of migration, such as the United States and Canada, Persson stated that the policies adopted in these countries might not be compatible with European political economies. Persson argued that Europe must “find its own model, one that permits a growth

in the number of economic migrants it attracts without weakening the labor laws and protection of the employed, and one that does not create a new under class of guest workers.”^{lii}

Indeed, when the committee released its’ final report in October 2006, just one month after the voters rejected the SAP in favor of a four-party bourgeois coalition, it was clear that the aim for the SAP had been the preservation of much of the coordinated model of labor migration. Writing the majority report together with the Left Party, the SAP proposed leaving untouched the requirement that third-country nationals only be granted access to employment sectors in which AMS had determined there to be a shortage that could not be filled domestically or within the EU. As part of the evaluation of labor market conditions within a given sector, it was expected that AMS would solicit statements from relevant unions and employers. Permits would be granted for an initial two-year period, during which time third-country nationals would be limited to both a specific sector and employer. In order for a permit to be granted, documentation was required that wages and working conditions were comparable to conditions for those already employed within the sector. While it was still expected that the general practice would be to seek employment from abroad, the SAP supported the introduction of a job-seeking visa that would allow citizens of countries requiring entry visas to look for employment in specific sectors from within Sweden. If at the end of two years, the migrant was still employed in the same position, she or he would be granted a two-year extension, and would be granted a sector-wide work permit. However, if the migrant had become unemployed during that period, she or he could only remain in Sweden if new employment was located in a sector with a documented shortage. After four years, the temporary work permit would be converted to permanent residency. Lena Hjelm-Wallen, the committee chair and former SAP vice prime minister, stressed the continuity between the overall proposal and current policy, underscoring how Swedish and EU workers would still take precedence over third-country nationals, and that evaluations of labor market needs could best be judged by AMS and trade unions, not by individual employers.^{liii}

Yet, it is important to bear in mind that the political dynamics have shifted in Sweden, and that the SAP is now part of the parliamentary opposition. Following electoral defeat, Göran Persson announced his decision to resign as party head. Throughout late 2006 and early 2007, the SAP focused nearly all attention on locating an appropriate replacement candidate. As such, the Social Democrats have been mostly silent on labor migration since the committee’s report was delivered to the new bourgeois government. However, in December 2006, Sven-Erik Österberg, SAP vice-chair of the parliamentary labor market

committee, lamented that the new bourgeois government appeared intent on increasing migration to counteract growing labor market shortages, stating that, “I fear the government will solve (recruiting difficulties) through labor migration instead of through betting on job retraining for those who are already unemployed.”^{liv} The SAP continued to view liberal labor migration as a policy disruptive to the workings of the Swedish CME.

Conclusion

This paper has explored the extent to which the VoC approach can illuminate our understanding of the labor migration policy reform process currently underway in Sweden. While the VoC literature would lead us to expect that the state will support reform measures thought to increase firm capacity, this paper has shown that the SAP government was openly committed to blocking the implementation of employer preferences. Rather, the SAP’s continuing desire to maintain existing labor migration policies represents a conscious choice to ensure that the flow of foreign labor, and the conditions under which it has access to Swedish society, will not be at odds with other instruments of economic policymaking in line with broad social democratic goals, in particular, full employment.^{lv} As former SAP Minister of Working Life Hans Karlsson has noted:

I won’t contribute to a policy where people are shunted aside because they couldn’t find a place on the labor market for whatever reason, while at the same time, others are brought in, who for the time being, are well-rested and healthy. We can’t have it that way.^{lvi}

The SAP may value maintaining incentive compatibility, but it does not appear to be guided by functionalist imperatives to reinforce firm capacity or to secure better economic performance. Statements by key SAP figures all suggest concern over the degree to which liberal reforms may broadly threaten the health of the Swedish model. To that extent, the social democratic government could be said to share Robert Goodin’s concern that “CMEs are hard to build but easy to demolish.”^{lvii}

Clearly, the VoC approach does not assume a polity that is devoid of actors other than the state and firms. Hall & Soskice note that policy is introduced for a variety of reasons, “some of them conditioned by partisan competition and the demands of labor.”^{lviii} Still, the influence of other actors, the form of competition they engage in, and the stakes over which they are competing take an unnecessary backseat to accounts that privilege a functional relationship between employers and policymakers. This point refocuses attention on a criticism of the VoC approach by Gregory Jackson, who has noted that the existence of

distinct institutional clusters leaves unanswered the question of how those institutions and policies first emerged as complements across the political economy. Given the silence of the VoC literature on this matter, Jackson suggests that scholars working in this vein must determine whether states, economic actors, or “processes of selection” are responsible for the emergence of complementary policies.^{lix} This paper has portrayed Swedish labor migration policy reform as an instance where the SAP government played a leading role in the drive to maintain policy and institutional complementarities. However, the SAP’s autonomy from employers on this area of reform should not be equated with independence from all societal actors. As quotes from key SAP officials have shown, it is impossible to construct a meaningful account of economic reform in Sweden without assigning a key role in the process to LO, the organizational backbone of the Social Democrats. This is not to suggest that an account of policymaking in which employer preferences are decisive ought to be swapped out for one in which those of organized labor are determinant. Rather, it does suggest that the position of organized labor, and how that position is central to the workings of the Swedish model, are important considerations when the SAP evaluates potential economic reforms.

One alternative hypothesis that could account for the social democratic government’s refusal to support a reform of labor migration along liberal lines would be electoral politics. That is, given recent elections in Denmark and the Netherlands, in which right-wing parties made significant gains at the polls by calling for more restrictive policies on immigration, one could argue that the ruling SAP is trying to satisfy preemptively a “closed border” sentiment among the voting public. However, Swedish public opinion polls show significant support in favor of a relaxed labor migration policy for non-EU nationals. Surveys in 2002 and 2003 showed that nearly seven in ten respondents support the idea that non-EU nationals with a job offer should get to take up employment in Sweden. Moreover, support for this form of labor migration increased from 59% in 2002 to 63% in 2003 among members in the heavily social democratic LO. Among respondents with an SAP party identification, 63% supported the idea of relaxed labor migration for non-EU nationals.^{lx} Thus, in seeking to limit labor migration, the SAP not only ignored employer preferences, it also dismissed public opinion.

In contrast to the portrayal of employers in the VoC literature, Swedish employers have not sought to preserve a labor migration policy that is incentive compatible with institutional and policy features of the broader political economy. Certainly, this finding seems puzzling when considered against the backdrop of Swenson’s account of the role of

employers in the development of the Swedish CME, particularly in the areas of active labor market policy and pensions reforms. As Swenson notes, SAF, the pre-cursor to SN, was strongly opposed to bourgeois party efforts to derail active labor market policy, as it would “militate totally against” employer interests.^{lxi} However, research into the decline of Swedish corporatism documents how employers, for varying reasons, no longer identify their interests as being best served by corporatist institutions. Bergström and Rothstein detail how SAF withdrew its’ representatives from over 10,000 seats on the boards of Swedish public agencies in the early 1990s, not for ideological reasons, but owing to a lack of influence. Lindvall and Sebring argue that SN has effectively “left corporatism behind” with little common ground remaining between employers, the state and labor on active labor market policy.^{lxii} Lindvert’s account of Swedish labor market policy reform argues that SN’s opposition to Swedish corporatism is shaped by both pragmatic and ideological reasons.^{lxiii} It is not the objective of this paper to issue a verdict as to whether the Swedish model remains alive and well. However, when regarding the sphere of industrial relations within Sweden as substantially broader than coordination over wage bargaining, it is clear that the ongoing redefinition of employer interests poses an empirical challenge for the VoC literature’s emphasis on system-conforming outcomes, even where political conflict surfaces.

Sheri Berman has argued that the study of specific policy positions has “little relevance for larger and more substantial inquiries.”^{lxiv} However, the case of Swedish labor migration policy suggests that such claims might be wide of the mark. As Hall & Gingerich observe, reform proposals in one economic sphere can have substantial side-effects under conditions where institutional complementarities are pervasive.^{lxv} On the face of it, the question of whether or not to reform Swedish labor migration policy is about who gets in, what skills or traits will secure one the best chance at admission, and what increased bundle of rights may be granted over time. Considered in that fashion, many of the finer points of this policy debate might seem to be of interest only to a narrow sub-group of scholars. Yet, whatever the current shortcomings, the VoC approach illuminates the fact that labor migration policy is distinctly embedded in a broader set of economic policies and institutional arrangements. Reformed slightly one way or the other, the implications of a new labor migration policy can alter the workings of labor markets, the long-term balance of power between social partners and the composition of the national political community. For those reasons, it is hard to imagine a more substantial inquiry.

NOTES

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