

Employer Preferences for Labour Migration: Exploring 'Varieties of Capitalism'-Based Contextual Conditionality in Germany and the United Kingdom

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European employers are rediscovering liberalised labour migration and are attempting to lobby governments to modify previously restrictive regulatory approaches. This article analyses these newly embraced interest positions, drawing on empirical evidence from the United Kingdom and Germany. Employers do not simply desire more migrants or are indifferent to their skills profile, but rather seek newcomers who can be easily accommodated and complement existing corporate strategies and skills requirements. However, they may also seek to 'import' missing skills that domestic educational facilities do not generate. The profile of 'desirable' economic migrants varies and is conditioned by production strategies and education and training schemes associated with different varieties of capitalism. This article proposes bridging the gap between comparative political economy and migration studies.

Keywords: labour migration; models of capitalism; employer associations

1. Introduction: The Voice of Employer Associations

Over the past 15 years, European governments have rediscovered labour migration. The restrictive approaches that dominated the period between the mid-1970s and the mid-1990s have given way to more liberal policy design regarding 'desirable' labour migrants, though not other categories of migrants. Current debates in political science migration studies explore a number of agents active in migration policy-making, including 'organised interest groups, courts, ethnic groups, trade unions, law and order bureaucracies, police and security agencies, local actors and street-level bureaucrats and private actors' (Lahav and Guiraudon 2006, 207).

This article contributes to this debate by exploring the political activities of employer associations, actors that have remained largely bereft of scholarly attention. Adopting a perspective that is both influenced by the comparative capitalisms approach in comparative political economy and previous work on the role of organised interest groups in migration studies (Freeman 1995, 2002 and 2006), it is argued that the advocacy positions of employer associations are shaped by the particularities of the national production systems they are embedded in. In other

words, the aim of the article is not to demonstrate a causal role of employer associations in shaping migration policy, but rather to highlight the crucial effect that models of capitalism have on employer preferences regarding the profile of 'desirable' labour migrants. This is operationalised in terms of Peter Hall and David Soskice's (2001) two ideal-types of varieties of capitalism (VoC). In methodological terms, the article adopts the case study method, by focusing on the two European case studies best representing these ideal-types, Germany and the United Kingdom. Empirically, it focuses on the analysis of labour migration policy design between 1995 and the present. Although the current recession has tempered calls for fresh labour migration somewhat, the preference formation of employers as such is obviously not affected by the economic downturn. The rest of this article is organised as follows.

In the second section, the theoretical contribution is outlined, drawing on both the migration and comparative political economy literature. The main proposition is presented in more detail, according to which employer preferences for labour migrants are influenced by models of capitalism. Employers will want migrants to complement and not complicate existing production strategies and expect them to fit easily with skills and training strategies.

In the third and empirical section, the influence of employers in shaping public policy is explored. Finally, a conclusion succinctly summarises the insights derived from the analysis of previously neglected actors in migration policy-making and advocates applying tenets of comparative political economy to studying migration.

2. Models of Capitalism, Employer Associations and Labour Migration Policies

European migration policies are rapidly changing. A formerly restrictive approach, assumed after the end of the post-war boom in the early 1970s, has been slowly abandoned in favour of more pragmatic and liberal labour migration policy. Notwithstanding the impediments to resuming labour recruitment (Messina 1990) and the obvious shortcomings of the guest-worker concept of the post-war decades, European governments from Ireland to Italy, from France to the Czech Republic have commenced recruiting economic migrants again. In some countries, EU eastward enlargement in 2004 was perceived and used as an additional channel for labour migration, while elsewhere fears over 'social dumping' led to temporary bans on labour recruitment from the new member states. These different responses highlight that the opportunity for recruiting what was perceived as primarily low-skill migration was welcomed in settings open to low-skill migration, but rejected in countries in which that was not the case.

But who drives these changes? A 'gap' between restrictionist rhetoric and slightly more permissive practice (Hansen 2002) exists. It has previously been partially accounted for by the activities of liberal courts (Hollifield 1992; Joppke 1998; Guiraudon 2000 and 2001), though these pertain predominantly to humanitarian forms of migration, especially family reunion, but also asylum seekers and refugees. Other relevant actors recently addressed in the migration literature include political parties (Bale 2008), the media (Demo 2004) and trade unions (Haus 2002; Watts

2002). Nevertheless, 'prevailing scholarship ... has been inconclusive with regard to the role and nature of domestic actors on national immigration policy-making' (Lahav and Guiraudon 2006, 207).

Obviously, not all of these actors have a stake in labour migration policy. Little scholarly attention has been paid to the role of employer associations in migration studies (exceptions are Caviedes 2006; Menz 2008; Cerna 2009), though organised business played a pivotal role in earlier Marxist-inspired analytical contributions (Cole and Dale 1999; earlier: Castles and Kosack 1973; Castells 1975; Piore 1979). This is surprising, for it would seem *prima facie* fruitful to explore the role of these actors in understanding how and why national-level labour migration policy has come to be liberalised across Europe since the mid-1990s. While the 'gap' puzzle is still unresolved, it is worth noting that with respect to labour migrants, official discourse is strikingly less restrictive regarding 'undesirable' migrant groups. The framework proposed addresses the interest positions assumed by employers since the mid-1990s.

One of the most valuable endeavours towards exploring the role of interest groups and explaining the puzzle of expansionary policies behind a backdrop of restrictive public sentiment is Gary Freeman's pioneering work (1995, 2002 and 2006). Inspired by James Wilson (1980), it has emphasised the importance of client politics in liberal democracies, though principally the United States, where well-organised business groups and ethnic advocacy coalitions combine efforts to press for liberal policies from which they benefit and whose costs are diffused. For labour-oriented non-permanent migration both costs and benefits are concentrated (Freeman 2006, 230), leading to 'interest group politics', while for permanent migration channels the benefits are concentrated and the costs are often diffuse, which leads to a low-conflict mode of client politics. With costs diffuse in the latter case, opponents to immigration may find it difficult to organise and rally effectively. In the former case, we would expect organised labour to be a natural opponent of immigration (cf. Freeman 2006, 233–234), yet research on recent European trade union positions suggests that carefully managed labour immigration is preferred to a restrictive approach and substantial unregulated migration (Haus 2002; Watts 2002). Although compelling in its empirical application and rightfully applauded for its introduction of a political economy angle, Freeman's work has been criticised for not being applicable to the European context, where ethnic advocacy groups thus far play a limited role and so 'client politics' play out quite differently (Joppke 1999; but see Freeman 2006, 234–235). Immigration is also framed and perceived differently by actors (Statham and Geddes 2006) in countries that for decades have described themselves as not open to immigrants (Hansen 2002).

Modifying Freeman's analysis somewhat, it is maintained that in the European context employers will not simply lobby for 'more liberal' policy, but rather for migrants with certain skill profiles which correspond to the predominant production strategy in a given country. Employers do not univocally advocate the recruitment of identical profiles of economic migrants. Their interest will be conditioned by the model of capitalism (and thus the production strategy) they are embedded in, ensuring complementarity.¹ Skills are a crucial factor in such considerations. For the sake of parsimony, it is assumed that skill sets of migrants differ along two

Table 1: Interest Positions of Employers in Liberal and Co-ordinated Market Economies

Skill level ► Skill specificity ▼	Unskilled/low skilled	Highly skilled
	LME employer interest (synergy)	LME employer interest (supplementarity)
Sector-specific	No CME employer interest (synergy)	CME employer interest
Generalist	LME employer interest (synergy)	LME employer interest (synergy)
	No CME employer interest	CME employer interest (supplementarity)

dimensions, the level (low versus highly skilled) and the specificity (sector-specific versus generalist) (see Table 1).² Sector-specific skills are those linked to one specific sector of the economy, either acquired through applied tertiary education or post-secondary vocational training. Generalist skills are defined as not specific to one particular economic sector and transferable. While John Salt (1997, 5) defined highly skilled as ‘tertiary level education or its equivalent in experience’, I use the term in a somewhat broader sense to encompass graduates of post-secondary vocational training schemes. Consequently, unskilled or low skilled are those who do not possess such formal qualifications. It is true that ‘countries’ policies cannot thus be deducted from a simple division into ... VoC groups’ (Cerna 2009, 146). However, the advocacy position of employers is indeed shaped by the production system and the respective model of capitalism, that is, either a liberal market economy (LME) or a co-ordinated market economy (CME).

The training systems of CMEs typically provide high skill levels and the requisite mix of company-specific and more general technical skills ... [by contrast] support for the development of general skills in LMEs may make the production of goods and services that require less skilled but lower cost labor more viable there (Hall and Soskice 2001, 40–44).

Consequently, the case selection encompasses Germany and the United Kingdom, countries that are considered paradigmatic cases of CMEs and LMEs, respectively.³

Employers may also use labour migration to escape confines imposed by training systems. LME employers may encounter skill shortages among the domestic labour pool due to the traditional weakness of LME education systems in generating vocational training schemes. CME employers face a different challenge: in certain sectors, especially those rapidly evolving due to technological change, CME education and training systems may perform inadequately, because they are geared towards gradual, not radical, product innovation. ‘Importing labour’ to overcome or ‘circumvent institutional constraints’ is recognised as an explicit business strategy in recent VoC literature (Herrmann 2009). Employers will thus seek to secure employees with skills that are complementary in the first instance, creating obvious *synergy*

effects, but they will also turn to labour migration as a source of *supplementarity* to overcome limitations of domestic training systems.

In LMEs, there is generally more generalist and employer-specific and on-the-job training provided (Thelen 2004) as opposed to sector-specific skills, hence migrants with a variety of past training and skill levels can be accommodated. 'Individuals and employers are free to determine levels and types of skill investment and acquisition' (Keep and Mayhew 1997, 372). Thus, employers in LMEs will welcome migrants with general skill profiles and both low- and high-skilled labour migrants. There is a substantial service sector in the UK, accounting for 75 per cent of total employment in 2003, according to the Organisation for Economic Co-operation and Development (OECD) (Hall 2007, 67), some of which is based on 'a lower-cost, lower-price strategy, underpinning service-sector expansion' (Hancké et al. 2007, 32–33). Here, high staff fluctuation and quickly shifting labour demand are important factors in influencing employer demands, not least because low-skill low-wage jobs are inherently difficult to recruit for due to these said low wages, low prestige and unappealing working conditions, as Michael Piore's dual labour market thesis (1979, 17) highlighted.

Employers in CMEs will lobby for skilled migrants who either complement existing production modes directly or provide valuable synergies if they permit the 'import' of skills that are not or not sufficiently generated domestically, thus permitting radical product innovation. Highly skilled foreigners may have skills equivalent to CME-style vocational training, though this is difficult to emulate abroad, or tertiary education; they may thus either possess generalist or specific skills. However, there is no interest in unskilled migrants. The absence of a sizeable low-skill low-wage service sector renders low-skilled or unskilled individuals difficult to employ. Employers have no institutional incentive to upset the 'high-skill equilibrium' (Culpepper 1999; Culpepper and Finegold 2001), which is a crucial component of the CME model, but face potentially very costly consequences for doing so.

Therefore, the embedded environments of LMEs and CMEs shape the preferences of actors and create demands for different sets of labour migrants. Different national production strategies influence employer advocacy coalitions. Recent trends towards economic liberalisation notwithstanding, the differences in production strategies are more pivotal in the present than they were during the post-war phase of labour recruitment. Furthermore, post-war labour migration was not exclusively driven by economic factors such as skill profiles and labour shortages and often more influenced by (post-)colonial ties (Castles and Miller 2003).

The main contention is that *employer preferences are shaped by the system of political economy (or variety of capitalism) they are embedded in.*

LME employers will make demands for migrants with both generalist and sector-specific skills, and both highly skilled and low skilled. Such labour migrants can be easily accommodated into flexibility-oriented production strategies and complement existing training schemes or provide a useful synergy by 'importing' skilled labour. CME employers will be interested in migrants with high skills, either of a generalist nature or sector-specific. There will be no interest in the unskilled.

The article bridges the gap between the migration literature and the rapidly evolving scholarship on comparative political economy, 'mainstreaming' migration by

marrying it with fresh insights from a different subfield. In doing so, the weakness of the political science literature on European migration in treating the field as a *sui generis* subfield is addressed. Freeman (2006) refers to this as a tendency to construct idiosyncratic national models. In a recent contribution, Freeman and Kessler (2008, 668) bemoan that 'neither the "varieties of capitalism" literature nor welfare-state typologies have systematically considered the implications of their models for responses of firms or states to international migration'. This article helps demonstrate pathways towards addressing this lacuna. Similarly, the commonly state-centric bias is addressed by focusing on somewhat under-researched non-state actors, namely employer associations.

Recent advances in comparative political economy have stressed the resilience of national models or varieties of capitalism (Coates 2000; Hall and Soskice 2001; Amable 2003; Hancké et al. 2007). This highly influential, though also criticised (Coates 2005) approach highlights the persistence of multiple equilibria in the institutional configuration of systems of political-economic governance, encompassing systems of industrial relations and labour market regulation, vocational training and education, corporate governance and finance and intra-firm relationships. For all its strengths, it is a very theoretical body of literature and can be strengthened by further empirical applications, especially in a field such as labour migration, which is logically linked to many of the core components of these varieties. However, this link has not been previously explored in the literature. It is explicitly acknowledged that as a qualitative study of the emergence of interest positions, based on interpretative comparative research in a politically extremely sensitive policy domain, the goal of this article is to demonstrate linkages heuristically, rather than decisively 'proving' causal influence beyond reasonable doubt. The aim of the article is also not to demonstrate a causal role of employer associations in shaping migration policy, but rather to highlight the effect that models of capitalism have on employer preferences. The following two sections examine empirically the role of the different systems of political economy influencing employer preferences and, in many cases, indirectly shaping governmental policy in Germany and the United Kingdom.

3. The Politics of Advocating Liberalised Labour Migration Policy

Developments in Germany

Notwithstanding recent transformations (Streeck and Höpner 2003; Streeck and Hassel 2004), the *German* political economy is regarded as the paradigmatic CME in the VoC literature. Employers, organised in the Bundesvereinigung der Deutschen Arbeitgeberverbände [Federal Association of German Employer Associations] (BDA) and for larger internationally oriented companies also the interest group Bundesverband der Deutschen Industrie [Federal Association of German Industry] (BDI), are interested in maintaining and enhancing institutions that provide public goods, notably training and education (Hall and Gingerich 2004).

By the mid-1990s, German employers were discovering labour migration. This originated within the BDI and can be traced to its outspoken late 1990s president,

Hans-Olaf Henkel. Henkel called for more avenues for legal labour migration in a general quest to render Germany's economy more dynamic and competitive.⁴ The BDA slowly embraced this stance. The employers saw the liberalisation of labour migration both as a useful tool in securing greater competitiveness and as a mechanism for addressing alleged shortages of highly skilled employees, emphasised particularly by the largest and most powerful sectoral employer Gesamtmetall. Henkel himself was part of two government expert commissions on immigration and harshly criticised the Christian Democrats' rejection of labour migration quotas (*Manager Magazin*, 16 October 2000). The two centre-right parties feared that such quotas would promote excessive immigration levels. In the course of regional elections in the state of North Rhine Westphalia in 2000, the Christian Democrat candidate Jürgen Rüttgers questioned the necessity of soliciting labour migration altogether, calling instead for more investment in domestic training and education (*Westdeutsche Allgemeine Zeitung*, 8 March 2000). Henkel's successor, Michael Rogowski, rejected any quantitative limits to quotas. Alternatively, he proposed setting them at 300,000 annually, a tenfold increase over the quota proposed by the 2001 commission (*Süddeutsche Zeitung*, 11 June 2001). These quotas would have been geared exclusively towards highly skilled migrants. The BDA enthusiastically welcomed the 'new paradigmatic change' inherent in the hotly contested 2002 draft bill which contained a liberalisation of labour migration, claiming to have demanded such change 'for a long time' (BDA 2002; interview, BDA). Convinced of the necessity to 'compete for the best brains' and 'internationally mobile high flyers' to address 'labour market shortages' and to ensure the continued 'competitiveness of Germany as a place to do business', regulation concerning economic migration needs to be liberalised, permitting both temporary and long-term migration flows, with minimal discretion for local and regional administrative interventions, 'while more stringent procedures and increased deportations should render asylum less attractive' (BDA 2002); with the latter presumably rendering the former more palatable to the electorate.

Not content with voicing their demands for liberalised labour migration policy through the expert committees, the employers also launched a vociferous and financially well-endowed public relations vehicle to popularise their demands for a general liberalisation of the economy, including migration. Founded in 2000 by Gesamtmetall, the New Social Market Economy Initiative aims to influence public opinion and lobby decision-makers directly (Leif 2004), drawing on an annual budget of €10 million. Immigration of 'highly qualified foreigners' is one of its many proposals based on the 'know how' and 'contribution to economic growth' and 'the future' that skilled migrants make (Initiative Neue Soziale Marktwirtschaft 2002, 8, 2004 and 2006).

These lobbying activities started bearing fruits in the 2000s. In 2000, the Red-Green government launched a temporary labour recruitment programme for 20,000 highly skilled migrants, particularly in information technology (the so-called 'green card' initiative). The following year, Minister for the Interior Schily commissioned a report from an expert commission composed of academics, legal experts, social partners and politicians from all parties, headed by moderate Christian Democrat Süßmuth (Unabhängige Kommission 2001). Despite the fervent support of the representatives of the employers in the commission, Schily was unwilling to heed

the call for annual migration quotas. This was in part a strategic decision, as the Christian Democrats had made their reservations concerning anything resembling quotas very clear. The law was finally accepted by the Bundestag on 1 July and by the Bundesrat on 9 July 2004, entitled 'Law on the management and limitation of inward migration and the regulation of the residence and integration of EU citizens and foreigners', and came into effect as of 1 January 2005 (BGBl Part I no. 41 1950 of 5 August 2004).

The employer association had been consulted throughout the drafting of the bill (interviews, BDA; MinInt). Both BDA representatives within the commission strongly lobbied in favour of more 'demand-oriented managed migration' and less bureaucratic leeway for regional labour market administrations in the context of more 'competition for the best brains', coupled with faster asylum decisions and more rigorously enforced deportations to 'avoid any signal that could be understood in countries of origin that immigration for non-labour market related reasons will be expanded' (BDA 2002). Employers were particularly interested in highly skilled migrants, not least due to the positive experiences with the 'green card' programme, and contributed to the demand for an annual migration quota, based on a points system (interview, BDA). Consistent lobbying led to the creation of migration channels for highly skilled high-wage professionals in the new immigration bill. Entrepreneurs investing at least €1 million and creating at least 10 new jobs and carefully delineated categories of highly skilled migrants were permitted access, including teachers, scientists and skilled managers earning in excess of €100,000 (all defined in Art. 19). In addition, foreign graduates of German universities were permitted to remain in the country for one additional year to search for employment. By contrast, no specific categories were created for graduates of foreign vocational training schemes or low-skilled employees. These legislative measures reflected the preferences of employers for highly skilled labour migrants.

In 2007 and 2008, business-friendly reforms to German immigration legislation continued. Vice-Chancellor and Minister of Labour Müntefering announced that there was no need for low-skill labour migration, echoing the position of BDA. The employers enthusiastically welcomed this liberalisation, emphasising labour shortages not only in engineering, but also in banking and business services (BDA 2007a), and continued their advocacy of the 'long overdue introduction' of such a points-based system (BDA 2007b), pointing to Britain as a possible model (BDA 2007c and 2007d).

The Ministry of Labour drafted a bill on the 'management of the migration of the highly qualified' during the summer of 2008. The key changes entailed were: further reducing the annual income required for highly qualified migrants eligible for 'fast-tracking' from €86,400 to €65,500; permitting labour market access for university graduates from the EU-8 accession countries; and creating a permanent council advising and evaluating labour market needs for skilled employees which would include a representative of the employers. It also facilitated labour market access for already resident temporarily 'tolerated' refugees if they could demonstrate successful completion of a three-year tertiary training programme. The bill was accepted by the Bundestag on 17 November and by the Bundesrat on 19 December 2008. It was warmly welcomed by the employers (BDA 2008).

BDA began to embrace the idea of liberalised labour migration following the impetus from BDI, but very quickly became an outspoken advocate in its own right. In doing so, it was aided by the mighty sectoral metal sector association Gesamtmetall (interviews, BDA; Gesamtmetall). Both associations claimed that shortages among highly skilled employees, presumably key to high value added CME production, were surfacing. Studies by the employer-friendly think tank Institute for Economic Research claimed that in 2006, 48,000 engineer positions could not be filled and 165,000 vacancies remained unfilled, resulting in a total loss for the economy of €18.5 billion (Koppel 2007 and 2008). Given the ideological leanings of this think tank, the accuracy of such claims might be contested, but they highlight the close connection between skill levels and preferences with respect to migration policy. There was no serious internal disagreement regarding the new liberal stance. In fact, even a sectoral employer association of which one might have intuitively expected advocacy for low-skilled migration, the association for gastronomy, did not pursue such action (interview, DEHOGA). Its main point of criticism of the 2008 legislation is thus not the exclusive focus on highly skilled migrants, but rather the focus on academic degrees as a measure of such skills, which in the hotel sector in particular is often somewhat inadequate (DEHOGA 2008).

Thus, internal dissent was non-existent, though certain sectoral associations, notably Gesamtmetall, were more enthusiastic than others, creating internal consensus and a common external front among the German employers (interviews, BDA; Gesamtmetall).

Developments in the United Kingdom

The *British* system of political economy is generally regarded as the primary European example of a liberal market economy (Hall and Soskice 2001, 8). In LMEs, 'labour markets are fluid, workers have incentives to invest in general skills that can be taken to other jobs, and, because industry associations are weak, firms lack the capacity to mount the collaborative training programs that confer industry-specific skills' (Hall and Gingerich 2004, 9). This means not only greater wage dispersion, but also incentives for companies to delay the introduction of new technology in favour of relying on low-skill and low-wage labour. The decline of apprenticeship and common training schemes further encourages labour 'poaching', which in turn can appear preferable to costly in-house training. Such incentive structure has important implications for human resource strategies, including a willingness to rely on 'imported' skilled labour.

By the mid-1990s, British employers became concerned about labour shortages in a variety of economic sectors and both in high- and low-skill positions (CBI 2005). Consequently, they commenced actively advocating immigration considered to be of economic utility (interview, CBI). Employers are ideationally unified and present a common position. There are no real inter-sectoral differences, as an interest in economic migrants pervades all sectoral associations (interviews, CBI; BHA).

The flexibility, additional skill base, often superior training and educational standards and soft skills such as higher motivation associated with economic migrants are factors leading British employers to embrace liberalised labour migration and

strongly lobby in its favour. A Confederation of British Industry (CBI) representative asserted in an interview that both highly skilled and low-skilled and both generalist and sector-specific skills were welcomed (interview, CBI). In mid-2005 CBI president Digby Jones stressed the advantage Britain enjoyed thanks to its flexible labour markets and pragmatic labour migration schemes, having earlier proclaimed that 'capital can't afford to be racist for lots of reasons' (BBC 2005). In a 5 January 2006 policy statement (CBI 2006, 1), the CBI reaffirmed this position, announcing:

The CBI believes that migration is beneficial to the UK. Migrants have made an important contribution to the UK economy—bringing valuable and scarce skills that have benefited UK business and helped contribute to economic growth. Migrant workers are an integral part of the UK workforce and the CBI shares the Government's belief that a carefully managed migration policy can bring further benefits to the UK.

The changing stance of the employers found a reflection in increasing willingness on the part of policy-makers to designate new categories or reinvigorate existing ones for labour migrants (Balch 2009). Tony Blair's New Labour government pursued a business-friendly and liberal stance towards migration, deliberately setting itself apart from its Conservative predecessor. Indicative of the new governmental approach was a 1998 White Paper entitled *Our Competitive Future: Building the Knowledge-Driven Economy* by the Department for Trade and Industry, questioning restrictive policy towards highly skilled migrants and entrepreneurs. The skill range covered by the work permit scheme was broadened beginning in 2000; at the same time formal requirements were relaxed to possession of a tertiary degree rather than a degree and work experience. Consequently, the numbers of work permit holders rose from 62,975 in 1997 to 137,035 in 2005. That same year, an 'Innovator's Scheme' was piloted, supported by Minister of Immigration Roche who declared in a speech on 11 September 2000 that the 'UK was in competition for the brightest and best talents—the entrepreneurs, the scientists, the high technology specialists who make the economy tick' (Sommerville 2007, 30–31). The December 2001 Highly Skilled Migrants Programme (HSMP) first introduced an explicit points system, taking into consideration formal level of education, work experience, salary level, overall qualification and qualification of spouse. Additional points were added for applicants in sectors with shortages—especially medicine—and, unlike the previous procedure, applicants themselves filed the application rather than their employer.

This rhetorical link between liberalised migration and enhanced competitiveness was to be found not only in employer pronouncements, but also in government circles. The Home Office's 2002 'Secure Borders, Safe Havens' contained a passage about globalisation, arguing that on balance the UK stood to benefit, given that 'our strong labour market acts as a magnet for those seeking better jobs for themselves' (Home Office 2002, para. 1.13). This theme similarly surfaces in an April 2004 speech by Prime Minister Tony Blair at the CBI, which includes a plea for 'recognition of the benefits that controlled migration brings not just to the economy but to delivering the public and private services on which we rely' (Blair 2004, 6).

The Nationality, Immigration and Asylum Act of 2002 implemented most of the measures contained in the White Paper. Responsibility for work permits was moved to the Home Office in 2001, where the old Overseas Labour Service (OLS) was 're-branded' as 'Work Permits UK'. The main thrust of the reforms was to restructure and ultimately limit the schemes pertaining to low-skill migration, based on the strategy that central and eastern Europeans would fill these jobs from 2004 onwards, while streamlining procedures for high-skill migrants into a points-based system, reflecting qualifications and labour market needs. Thus, the agricultural working scheme was reduced in size in 2004. The working holidaymakers scheme was first broadened in scope in 2003 to make greater allowances for New Commonwealth countries for foreign policy reasons, only to be quantitatively limited again in February 2005. In 2003, an explicit quota scheme ('sectors-based scheme', Immigration Rules HC 395, paras 135I–135 K; Ensor and Shah 2005) was introduced for low-skill short-term migration, especially in gastronomy and food processing, but phased out in 2006, based on the expectation that unimpeded labour market access for EU-8 citizens would serve as a labour supply pool for low-skill jobs. This proved a successful strategy: between May 2004 and December 2006 alone, 579,000 EU-8 citizens registered with the Department of Works and Pensions, 65 per cent of whom were Polish (Sommerville 2007, 34).

The HSMP was replaced in 2008 by a new points-based system with two tiers for 'highly skilled' and 'skilled' migrants, respectively, also taking into account available funds and past UK residence or educational experience (*The Guardian*, 30 October 2007). This marks somewhat of a change from the original policy proposal, but its logic remains similar to that apparent in the proposal's title, 'A Points-Based System: Making Migration Work for Britain', namely being a 'flexible, employer-led' logic (Home Office 2005, 9). The original plan would have replaced all of these schemes with a single, points-based labour migration system, comprising four tiers, three of which will be described below. The first one would have been reserved for highly skilled professionals in fields such as IT, finance, medicine and engineering, as well as 'entrepreneurs'. The second category would have been geared towards applicants in sectors experiencing shortages that cannot be filled domestically or within the EU, especially in nursing and teaching. The third tier would have consisted of short-term, tightly quantitatively limited quota schemes that can be opened—and presumably closed—at short notice, replacing the agricultural and sector-based schemes. The document reiterates on 12 occasions that employers will be consulted or that the scheme is employer led. Some independent advisory bodies on skills will also be consulted. The UK points-based scheme is a paradigmatic example of business-driven labour recruitment schemes. While the 2010 Liberal Democrat–Conservative coalition government announced plans to reduce the numbers of non-EU highly skilled migrants immediately after coming to office in July 2010, internal dissent has already surfaced, with outspoken Liberal Democrat Business Secretary Cable criticising such a cap as 'damaging' (*The Independent*, 18 September 2010), suggesting an eventual compromise outcome.

British employers developed an interest in immigrants considered to be of economic utility, both in very highly skilled service sector jobs, especially finance, law, health and natural science research, and in low-skill jobs in food processing, agriculture, gastronomy and construction, and both regarding generalist and sector-specific

skills (interviews, CBI; BHA). While an official publication (CBI 2005, 2) highlights that immigration 'is no alternative to raising the skills levels of the home-grown workforce—nor should immigration be seen as negating the need for effective active labour market policies to tackle the problem of economic inactivity', the same position paper concedes that '20% of the UK workforce lack appropriate levels of functional numeracy and literacy—raising the skill levels of this group would help to ease recruitment difficulties faced by employers' (CBI 2005, 2). In an interview, a CBI representative confirmed sectoral and firm concerns over poor 'employability' of domestic workers in some sectors and highlighted the advantages of hiring 'better trained' graduates of 'continental vocational training schemes' and universities, despite their marginally higher average age (interview, CBI). In 2005, CBI together with the Trades Union Congress (TUC) and the Home Office published a joint position paper, emphasising that 'the skills and enthusiasm' (TUC 2005, 1) of new migrants was welcomed by all parties.

Along with the unions and certain NGOs, the CBI is invited to the biannual 'user panel' planning sessions of the Immigration and Nationality Directorate in the Home Office. Its representatives are also part of the employer taskforce group, which is responsible for providing policy suggestions to the Home Office's Border and Immigration Agency. Recommendations from this group have fed into the establishment of an Australian-style high-skill migration programme in February 2008 and the illegal working stakeholder group (interview, CBI). Within this taskforce group, along with a trade union delegate, major internationally oriented businesses such as Shell, Ernst & Young, Tesco, Citigroup and Goldman Sachs are represented as well as sectoral employer associations in engineering, hospitality and employment services, alongside NASSCOM, the Indian IT sector chamber of commerce. Both formal responses to government initiatives and informal avenues to the Home Office are fairly well received (interview, Home Office) and the CBI has positioned itself well to influence governmental deliberations. It is also part of the stakeholder panel of the Migration Advisory Committee, an academic expert body convened by the Home Office. An added strength of the CBI is its internal ideational consensus on the desirability in principle of economic migration and its vast benefits, shared by all members, including small and medium-sized enterprises (interview, CBI). Internal ideational cohesion is thus very strong.

Employer preferences in the UK are also influenced by the particularities and exigencies of the respective variety of capitalism. Employers seek to recruit migrants at both ends of the skills distribution scale.

4. Conclusion

European employer associations have rediscovered an appetite for labour migrants. Governments are heeding calls for more liberalised approaches to managing economic migration. But employers are selective in terms of the migrant profile they seek to attract; their preferences are conditioned by the systems of political economy they are embedded in. In the view of organised business, ideal migrants should easily fit into existing production systems and complement production strategies.

Employers have become very interested in labour migration in the UK and Germany. The main contention according to which employer preferences are conditioned by production strategies inherent in different models of capitalism is largely borne out by the empirical evidence.

British employers have become more actively concerned with labour migration policy in the wake of perceived skill and labour shortages. Labour recruitment focuses on both highly skilled and unskilled and both generalist and sector-specific skills; partially out of a conviction that the UK is in global competition for the best brains and partially due to perceived deficiencies in domestic training institutions and possible synergies in this regard. Given that concerns over manpower shortages also motivated employers, the recession commencing in 2008 has led to less vocal employer demands. The CBI accepted the labour market access ban on Romanians and Bulgarians in 2007, as there was 'a sufficiently sized labour pool' (interview, CBI) already present and the gastronomy sector association even actively supported this ban (interview, BHA; Caterersearch 2006a and 2006b), concerned about a negative backlash in public opinion. Concerns over skill shortages especially in engineering, IT and finance have resulted in sustained employer advocacy of liberalisation. German employers, especially those in the manufacturing sector, notably metal processing association *Gesamtmetall*, have been strongly supportive of highly skilled migration, complementing a high-skill high value added production strategy. There has also been consistent lobbying for the introduction of a points-based system and generally a more liberalised approach to highly skilled migration, both with sector-specific and generalist skills. By contrast there is no interest whatsoever in low-skill migration. This stance has in no way been influenced by the financial crisis and recession commencing in 2007.

This article bridges the gap between two bodies of literature. It brings together concepts from both the comparative political economy and the migration literatures, insists on the integration of migration studies into broader debates in the political science literature to help generate 'portable insights' (Bleich 2008, 510) and demonstrates the empirical applicability of concepts of comparative capitalisms to a new domain. Expanding and modifying Freeman's insights for the European context, it argues that organised interest groups become active in very specific ways, lobbying for more liberal approaches that suit the respective skills and production strategy of the variety of capitalism they are embedded in. The article examines the role of employer associations in setting out their interest positions regarding the design of labour migration policy, an area in which considerable paradigmatic change has been under way in Europe since the mid-1990s, yet which remains somewhat under-explored. Future research should establish whether the framework proposed here could be applied to employers in other CMEs and LMEs, as seems highly likely. From Tallinn to Rome governments are designing schemes that will facilitate the inflow of the 'best brains', yet employers insist that these brains (or muscles) fit into and complement existing systems of political economy.

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Notes

1. The terms are derived from Deeg's (2007) work, though he defines them slightly differently from the present usage. I suggest broadening his term of supplementarity to encompass the 'import of input factors' (Herrmann 2009, 18) missing or underprovided due to the institutional particularities of domestic institutions.
2. While the distinction between general and specific skills has been regarded as difficult to operationalise (Busemeyer 2009) and is indeed somewhat stylised, a broad distinction illustrating differences between models of capitalism does appear to be feasible and helpful.
3. The framework used here could be extended and modified to cover the 'mixed market economies' (MMEs), such as France and Italy, and 'emerging market economies' (EMEs), such as Poland, using categories proposed in recent additions to the literature (Hancké et al. 2007). Employers in such systems could be expected to advocate labour migration to reflect skills and sectoral needs present, including CME-style 'islands of excellence' in MMEs, but also the substantial low-skill components of the economies in these countries. EMEs are displaying a combination of traits of both CMEs and LMEs and would thus generate ambiguous employer demands, depending primarily on skill shortages. To the extent that the varieties of capitalism framework can be applied outside Europe, the argument about employer preferences should also apply to a non-European LME, such as the US.
4. See for example his articles in *Frankfurter Rundschau* (10 May 2000) and *Allgemeines Deutsches Sonntagsblatt* (17 and 24 March 2000).

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Interviews

BDA: interview with official at employer association BDA, Berlin, 2005.

BHA: interview with official at sectoral employer association for gastronomy, London, 2008.

CBI: interview with official at employer association CBI, London, 2006.

DEHOGA: interview with official at sectoral employer association for gastronomy, Berlin, 2008.

Gesammetall: interview with official at sectoral employer association for the metal sector, Berlin, 2006.

Home Office: interview with official at UK Home Office, Croydon/London, 2005.

MinInt: interview with senior official at German Ministry of Interior Affairs, Berlin, 2005.

During 2004–08, additional interviews were conducted with representatives of trade unions, employer associations, national ministries of interior affairs and labour and social affairs in both countries. A number of background interviews were also conducted with national labour market and immigration experts. These are not directly quoted or referred to.