

The Varieties of High-Skilled Immigration Policies: Sectoral Coalitions and Outcomes in Advanced Industrial Countries

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Abstract

The paper presents a comparative political economy theoretical framework of high-skilled immigration (HSI thereafter) policies in advanced industrial countries and seeks to explain differences in countries' policies in terms of HSI openness. I take from the traditional partisanship approach that political parties will pursue policies consistent with the preferences of their major constituencies. However, I divide labour and capital into high- and low-skilled sectors. I argue that, despite converging policy goals for more open HSI in order to fill labour market shortages, divergence between countries' HSI policies continues. No consistent HSI position of left and right parties exists cross-nationally because different coalitions between sectors of high-skilled labour, low-skilled labour and capital take place. I analyze more open or restrictive HSI outcomes by portraying actors' preferences that are aggregated in coalitions and intermediated by institutional constraints (such as labour market organization and electoral system) across advanced industrial countries.

Keywords: Advanced industrial countries, coalitions, high-skilled immigration, policy outcomes, political economy.

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1. Introduction

Attracting the ‘best and brightest’ immigrants has become government’s priority across advanced industrial (OECD)¹ countries over the past years. Especially labour market shortages, but also ageing population, decrease in human capital stock and international competition for innovation, progress and economic growth all heighten the conception that governments “need to act. Removing barriers is a priority: even America still rations the number of highly skilled immigrants it lets in, and Japan and many European countries do far worse” (The Economist, 5 October 2006). Yet, countries differ in their policies towards high-skilled immigration (HSI thereafter)². High- skilled immigrants are usually defined as “possessing a tertiary level education or its equivalent in experience” (Salt 1997:5)³. For example, both Germany and the United Kingdom were hit by labour market shortages to the same extent, but their HSI policy responses have varied. Why do countries differ in their openness towards HSI?

Divergence between advanced industrial countries’ HSI policies continues, even if national governments display converging policy goals for more open HSI in order to fill labour market shortages at the high-skilled end. The shift toward greater HSI liberalization is visible in most countries, but it is not going on to the same extent or at the same rate. No consistent HSI position of left and right parties exists cross-nationally because different coalitions between groups of high-skilled labour, low-skilled labour and capital take place. I argue that coalition-building between actors with varying HSI preferences, mediated by labour market organization and the electoral system, determines cross-national variations in HSI policy outcomes.

The paper challenges the notion that there is increasing convergence among countries’ policies. Yet, it also proposes a different account from the Varieties of Capitalism literature. Existing literature, which highlights structural economic factors and partisanship, does not sufficiently elucidate HSI policy differences. Therefore, I offer a new explanation for the continued HSI policy divergence by focusing on coalitions and national political-economy institutions. Analyzing HSI from a coalitional perspective allows exploring different important issues in the political economy literature, such as the representation of different sectors of labour and capital, the tensions between affected actors with varying interests, the challenge for parties in government to respond to changing HSI preferences and the institutional constraints on HSI policies.

2. Political- Economy Framework of HSI Policy

This theoretical framework draws on a wide array of literature and combines approaches from political economy, coalitions, political parties and Varieties of Capitalism. It integrates the politics of migration policy into the broader literature of comparative politics. Political science is rather a latecomer to the analysis of immigration, and in particular the area of HSI has been neglected so far. Nonetheless, political economy provides a fruitful approach for the rather “atheoretical” area of immigration (Freeman 2002:82). From a methodological perspective, Lindsay Lowell (2005) has offered a welcomed quantitative analysis of twelve countries in terms of HSI openness in temporary and permanent policies. However, this index solely ranks the most recent policy, but it would be more useful to consider changes in HSI policies over time.

2.1 Convergence/ divergence

I contribute to the convergence/ divergence debate and argue that, despite converging policy goals for greater HSI liberalization, divergence in policy outcomes continues. I set myself apart from the sociological and economic convergence literature, as well as the VoC literature, which focuses only on economic determinants. One strand of the literature argues that countries are converging in many aspects due to best practice and efficiency arguments (i.e. it makes economically sense if systems become similar) (Cerny 1996, Crouch & Streeck 1997). The sociological proponents of convergence claim instead that countries are converging due to the spread of global culture and the adoption of similar norms (Featherstone 1990, Robertson 1992). Globalization and technological revolution are transforming practices around the world and leading to a common model, more or less the Anglo-Saxon one.

In the migration literature, the convergence hypothesis (Cornelius, Martin & Hollifield 1994 & 2004) proposes that there is increasing similarity among the industrialized, labour-importing countries in terms of policies, effects and public reactions to immigration. Due to globalization, businesses and governments in OECD countries have been forced to deregulate and liberalize labour and capital markets in order to compete in the new marketplace (Hollifield 2000). Therefore, the argument goes, countries' immigration policies are converging because of similar domestic pressures from skilled labour shortages. In the last years, the trend among OECD countries has been towards HSI liberalization. Yet, convergence does not occur as a result of different domestic political-economic institutions and coalitions. Even the proponents of the convergence hypothesis have become more cautious about categorizing similarities as "examples of true policy convergence" (Cornelius et al. 2004: 15).

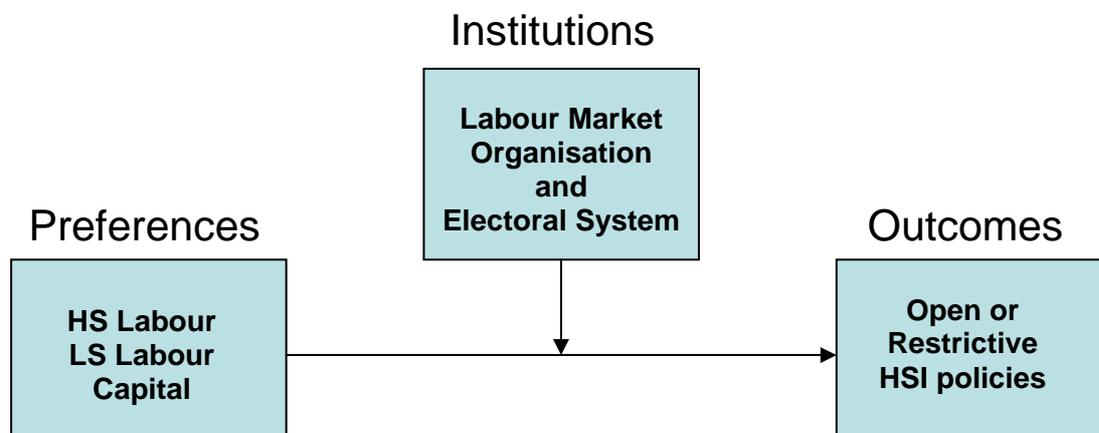
On the other hand, while the Varieties of Capitalism (VoC) authors (such as Hall & Soskice 2001) stress continued divergence in economic systems in countries, this literature solely focuses on economic arguments and institutional complementarity. Under closer inspection, not only is there variance between the three groups, which the VoC claims, but noteworthy within-group differences exist as well in terms of the openness of HSI policies. In Mixed Economies, Spain is considered the most restrictive country in terms of HSI, while France and Italy can be found more in the middle of the Lowell (2005) ranking. Countries' categorization has also changed over the years as few initially restrictive countries have become more open towards HSI (e.g. France). Some countries among the Coordinated Market Economies (e.g. the Netherlands, Switzerland) target high-skilled immigrants to greater extent than others (e.g. Belgium, Sweden). In the Liberal Market Economy group, Ireland has experienced several policy reforms over the past years that have shifted the country's classification from restrictive to very HSI open. As a consequence, countries' policies cannot be deducted from a simple division into three VoC groups.

I provide a contrasting approach to the VoC literature because I consider political processes that result in different outcomes among countries. The existing diversity of HSI outcomes demonstrates different political configurations and institutional set-ups in electoral systems and labour market organization. In addition, actors have particular HSI preferences; and political institutions provide power and representation to actors to a different degree. I argue that coalition-building between affected actors with varying HSI preferences, intermediated by labour market organization and electoral system, determines cross-national variation in HSI policy outcomes. In my approach, I present a political-economy explanation for different HSI policies in OECD countries, which is largely missing in the literature.

2.2 Assumptions

I start from the basic assumption that rational actors have preferences they seek to achieve through the political process. Four actors with particular HSI preferences emerge at the individual level: native high-skilled workers, native low-skilled workers, high-skilled industries and low-skilled industries. Political-economic organization and institutions governing their political participation determine the preferences and behaviour of these actors (Martin & Swank 2004). Preferences interact with institutions and lead to particular outcomes. “Preferences” are personal wants and desires of political actors. “Institutions” are formal and informal rules. “Outcomes” refer here to HSI legislative policies (official HSI legislation). I consider HSI immigration control policies, i.e. the rules and procedures for the selection and admission of high-skilled immigrants (based on Hammar 1985). The focus lies on temporary⁴ primary legal HSI that is meant to fill labour shortages in mainly internationally competitive sectors that are essential for knowledge economies.

Figure 1: HSI causal schema



I introduce a rational one-dimensional model because I consider economic issues more significant than cultural explanations in differentiating HSI policies (based on works by Mayda 2004, Scheve & Slaughter 2001, Timmer & Williamson 1998)⁵. The small number of high-skilled immigrants is less likely linked with a negative feeling of changed cultural identity in the whole population as is the case of immigration in general (Money & Falstrom 2006). Generally higher earnings and likely fluency in the receiving country’s language ease the integration of high-skilled immigrants who come to work in particular sectors with labour market shortages⁶. Nevertheless, the national identity literature would argue that immigration policies can be explained through the impact of historical experiences, cultural idioms and social conflicts (Hollifield 1992, Money 1999). Some authors have put immigration into a two-dimensional plane, which treats both economic and cultural issues (see Brubaker 1992, Zolberg 1999). This literature is of less concern to my theoretical framework because it mostly applies to (low-skilled labour) immigration and cannot explain that various countries have adopted similar policies at the same time (Meyers 2000).

Therefore, in agreement with Kessler (1999), I concentrate on rational economic interests of actors, while neglecting to a large extent cultural or sociological issues. I argue that HSI comes closer to a purely economic model than immigration in general because HSI is usually strongly associated with economic benefits and linked less with a negative impact on the population. The Productivity Commission report states that “skilled immigrants are less reliant on transfer payments, and are more likely to earn higher incomes and pay more in

taxes” (2006:113). It seems that, overall, implemented temporary high-skilled immigration programmes have sparked little public criticism overall (Freeman 2006).

On the whole, HSI is considered positive for a country’s economic growth. The Productivity Commission of Australia report shows the likely effects over 20 years of the government increasing the current intake of skilled migrants by 50 percent. In the Commission's modelling, the economy would grow by 3.5 percent by 2024-2025 and average incomes would be \$335 higher (2006: 137). More generally, George Borjas assumes that the increase in skills through HSI “accelerates the rate of scientific discovery”, which can bring large benefits for particular groups of the population (2006:32). However, HSI creates distributional consequences for different sectors of labour and capital that in turn establish varying preferences for HSI policy.⁷

I claim that we cannot deduct HSI policy outcomes across countries and political parties from a simple partisanship examination, which states that the Left will defend the interests of labour and the Right will represent the preferences of capital (see Alt 1985, Hibbs 1977)⁸. Following this framework, we would expect left parties to be for more restrictive HSI policies to protect native workers, whereas right parties will favour more open HSI in order to please their capital constituency. However, we do not observe such simple linkage between parties and HSI positions.

For example, the Social Democrats in Germany have started to garner electoral support among both high- and low-skilled workers due to waning membership numbers and the resulting focus on new constituency groups (Norris 2004). The New Labour in the UK seeks to combine increased competitiveness of the economy with the traditional protection of workers. With increasing globalization, the focus on the knowledge economy has become important for countries’ prosperity (Driver & Martell 2002) and the Left also tries to accommodate the demands of businesses by filling labour market shortages with high-skilled immigrants.

Therefore, this analysis departs from the traditional consideration of labour and capital and regards them as heterogeneous groups because lobbying efforts depend on the sector. The main question for this partisanship analysis is which parties have a core constituency among (high-skilled) labour and which ones among capital. Then parties’ position can be tested with these hypotheses: (1) If the constituency of a party is strong among native high-skilled workers, then I expect this party to be against HSI; and (2) If the party’s constituency is made up to a large extent of capital, then I assume that this party will be more supportive of HSI.

In the first case, if native high-skilled workers make up the party’s constituency to a large degree, then it will adopt a more restrictive HSI position to garner electoral support. Native high-skilled workers will regard high-skilled immigrants as competitors and hence take on restrictive policy preferences. In the second case, if a party’s constituency is made up to large extent of capital, then the party will seek to acknowledge the preferences in order to keep its support with a more open HSI position. Nonetheless, complications in the prediction of parties’ HSI position arise if one party considers both high-skilled labour and capital as important constituencies. In this case, the predicted HSI position becomes less determinable since the party will try to reconcile the different preferences of its constituencies in a single HSI position.

With a reshaping of the electorate, parties now increasingly represent both capital and labour groups that can often be native high-skilled workers. While the generally recognize the need for HSI for country's economic growth, they are drawn between representing two main constituencies with varying HSI preferences: capital lobbying for more open policy and high-skilled workers favouring more restrictive HSI policy. As a result, parties differ in their position on the terms and conditions of immigration. In the German example, the Christian Democrats were generally in favour of more open HSI policy, but they displayed a different position on the terms of the policy from the Social Democrats, the Greens and the Liberals who were highly in favour of liberalizing HSI policy. In majoritarian countries, the HSI position varies less between political parties who favour an open HSI policy. Parties aggregate preferences from different constituencies and display similar positions to attract as many voters as possible. For instance, both the Labour and Conservative parties in the UK have comparable HSI positions: they agree that high-skilled immigrants are beneficial for UK's economy and society and the government should hence focus on facilitating their recruitment.

2.3 Preferences

Following the above assumptions, I introduce a high-skilled versus low-skilled sectoral division. Table 1 displays predictions on the preferences of owners and workers in industries based on their labour sensitivity to (high-skilled workers) and complementarity/substitutability of high-skilled immigrants.

Table 1: Sectoral model of HSI policy preferences of workers and owners

HS- Immigrants	<i>Complement (LS workers)</i>	<i>Substitute (HS workers)</i>
<i>High (HS) labour sensitivity (HS sectors)</i>	Owners strongly pro-immigration, workers weakly/ moderately so	Owners strongly pro-immigration, workers strongly opposed
<i>Low (HS) labour sensitivity (LS sectors)</i>	Both owners and workers weakly/moderately pro-immigration	Owners low salience, weak support; workers strongly opposed

2.3.1 Native high-skilled (HS) labour

I hypothesize that native high-skilled workers will oppose more open HSI policies due to labour market competition. With the immigration of high-skilled workers, the supply of qualified workers increases, which decreases the wages in the sector (Borjas 1995 & 2003). Specifically, Borjas' research has found that wages of US native high-skilled workers (i.e. college graduates) have fallen by 4.9 percent with the entry of high-skilled immigrants between 1980 and 2000 (2003: 1370). For PhD graduates in the US, the impact of high-skilled immigrant influx has been quite substantial between 1993 and 2001 and wage drops have varied according to the sector, ranging from 3.6 percent for science and engineering doctorates to 10 percent for computer science and mechanical engineering (Borjas 2006). Native high-skilled workers lose because they have to accept lower wages and/or face unemployment due to smaller labour mobility opportunities than for low-skilled labour. Therefore, high-skilled labour has a political incentive to lobby for HSI restriction.

2.3.2 *Native low-skilled (LS) labour*

I assume that low-skilled workers are weakly/moderately pro- HSI due to a complementarity effect. They can benefit from HSI because of greater productivity and wages through increased demand for labour services (Chiswick 2005). “Trades people, labourers, transport workers, and production workers could see wages increase slightly [around 1.2 percent], as new migrants add demand in areas such as housing construction” (Productivity Commission 2006: 134). In the long-run, economic growth through innovation generated by high-skilled workers could make low-skilled workers better off and increase their standard of living (Crouch, Finegold & Sako 2004).

2.3.3 *High-skilled (HS) capital*

Owners or employers in high- skilled sectors (e.g. high-tech or engineering) will be strongly in favour of HSI in order to benefit from lower wages and sustain their ability to grow. They will be even more supportive in the case of sectoral labour market shortages where outsourcing is not possible. HSI increases the supply of labour, which decreases the wages in the sector. Businesses can produce more cheaply and become more competitive because they can offer products at lower prices. In addition, a larger pool of high- skilled workers permits businesses to save cost for training and skill acquisition and the process of hiring labour to respond to market conditions. As a result, high-skilled capital has a political incentive to lobby for HSI liberalization.

2.3.4 *Low-skilled (LS) capital*

Owners and employers in low-skilled sectors can indirectly benefit from an inflow of high-skilled immigrants. They can take advantage of raised opportunities for sales and hence increase their output and profit. First, high-skilled immigrants are consumers and can buy products from low-skilled industries and increase their profit. Second, they can help to improve the production process and decrease production costs in the end (Productivity Commission 2006: 120). I, therefore, will group high- and low-skilled capital together as ‘capital’ for the purpose of a simplified framework. Even though low-skilled capital will unlikely devote resources to lobby by itself for more open HSI policies, both capital sectors will more or less favour HSI liberalization, whereas the preferences among the labour group are more heterogeneous and thus have to be treated as separate groups. Following the works of other authors (such as Chiswick 2005), this analysis will thereafter only consider three factors: native high-skilled labour, native low-skilled labour and capital.

2.4 *Coalitions between actors*

I proceed by examining coalitions between actors for supporting a certain HSI policy. My research fits into the political economy literature, especially the analysis of coalitions between labour and capital for specific policies (see Gourevitch 1986, Gourevitch & Shinn 2005 and Rogowski 1989). In the area of labour migration, Leah Haus (2002) and Julie Watts (2002) have considered similar coalitions between unions and employers. The common assumption is that labour will unite against capital and oppose immigration. Then we would have an intra-class coalition scenario, made up of different groups within a class. However, as a result of the sectoral division of labour and capital, we are unlikely to see a consistent position of labour pressing for restriction and capital lobbying for openness across countries. Instead,

unusual (i.e. cross-class) coalitions can form among different groups of capital and labour, which can also play out in the case of HSI. Table 2 portrays possible coalitions between different sectors of labour and capital. In this scenario, there are six possible coalitions between the three actors: native high-skilled (HS) labour, native low-skilled (LS) labour and capital.

Table 2: Political coalitions and HSI outcomes

<i>Coalitional line-up</i>	<i>Winner</i>	<i>Predicted HSI outcome</i>
Pair A: 1) HS Labour + LS Labour vs. Capital 2) HS labour + LS labour vs. Capital	HS Labour + LS labour Capital	Restrictive Open
Pair B: 1) HS labour + Capital vs. LS labour 2) HS Labour + Capital vs. LS Labour	HS Labour + Capital LS Labour	Restrictive Open
Pair C: 1) LS Labour + Capital vs. HS Labour 2) LS Labour + Capital vs. HS Labour	LS Labour + Capital HS Labour	Open Restrictive

Pair A: HS Labour + LS Labour vs. Capital

A1) High-skilled labour and low-skilled labour can form a coalition against capital for more restrictive HSI policies if they agree on a trade-off. For example, HSI restrictiveness could be offered in return for the protection of low-skilled labour against low-skilled immigration or for support of their efforts for higher wages. High-skilled labour is a smaller (and sector-concentrated) group than low-skilled labour, thus it could organize more effectively and press for its desired outcome, especially due to the intensity of its restrictive preferences. The bigger low-skilled group will only be weakly/moderately supportive and while HSI can benefit low-skilled workers, the link is rather indirect and the impact is smaller than for high-skilled workers. As a result, low-skilled workers will put less effort and resources into convincing high-skilled workers otherwise and can follow the cues of the latter group.

A2) If capital emerges as winner, then the HSI outcome will be more open policy. This group can highly benefit from high-skilled immigrants for the previously examined reasons and will lobby for liberalization.

Pair B: HS Labour + Capital vs. LS Labour

B1) High-skilled labour and capital can form a coalition if they can strike a bargain and decide on a trade-off. Native high- skilled workers will be against HSI due to labour market competition, high-skilled industries will be highly in favour of HSI. Accordingly, they both have opposite preferences. However, they can form a coalition if they compromise on some

terms and potentially get a win-win situation. For instance, high-skilled industries promise not to press for more open HSI if native high-skilled workers agree to accept pay cuts. It is likely that a coalition for liberalized policy takes place since native high-skilled workers cannot currently meet the demand in both the quantity and labour productivity. In addition, in many sectors and sub-sectors, outsourcing is not an option⁹. If high-skilled industries guarantee same wages and working conditions for high-skilled immigrants and do not threaten the labour market position of native high-skilled workers, then a coalition between these two groups is possible. Nevertheless, the resulting policy can still be considered more restrictive than in the case of overwhelming HSI support from only high-skilled industries. The restrictive outcome will be visible in the terms of agreement and conditions attached to the HSI policy.

B2) Low-skilled labour can emerge as winner, with more open HSI outcome. The group can benefit from high-skilled immigrants due to increased employment opportunities. In this case, capital wins as well¹⁰.

Pair C: LS Labour + Capital vs. HS Labour

C1) Low-skilled labour and capital can form a coalition and press for open HSI policies. Both capital and low-skilled labour can benefit from high-skilled immigrants since they are complements to native high-skilled workers. They are then able to unite against the restrictive HSI efforts of high-skilled labour. The agreement in the coalition can also be reached more implicitly than explicitly. Low-skilled group does not have to exhibit strong verbal presence; silence in HSI matters can also be interpreted as agreement.

C2) If high-skilled labour wins in the political contest, then the outcome for HSI policies will be more restrictive due to the labour market competition argument described in the previous section.

In these three cases, two outcomes are possible (open or restrictive HSI policy)¹¹, depending on the strength of the coalition vis-à-vis the third actor. The threshold of support for each group in a coalition is absolute majority. Either the coalition wins and can achieve its preferred policy or the opponent (third actor) manages to succeed and press for its desired policy. The strongest coalition will prevail. Strength comes from political resources, such as votes, lobbying ability or direct action. Labour groups can signify important voters for parties or directly influence them through unions, whereas the lobbying ability of high-skilled capital can be very strong due to its financial contribution to electoral campaigns. Which coalitions form and which ones win in the political arena depends on the interaction of preferences and institutions (based on Gourevitch & Shinn 2005). Institutions can constrain the range of possibilities for HSI outcomes.

HSI changes occur within a country when preferences or institutions alter. If the policy preferences of one or more of the groups of actors alter enough to disrupt the coalitional balance, a new alignment can take place. Or the political institutions can alter, though this is far less common than a modification in preferences. A shift in HSI preferences can occur when economic conditions change, such as the appearance of labour market shortages, the increased influx of high-skilled immigrants, the raise in unemployment rates, the decrease of wages for particular sectors, among others. As preferences vary, each group (and each potential coalition) faces trade-offs in moving from one policy position to another. I examine how partisan preferences are manifested in the realm of HSI policy and how they become

reduced or strengthened by the institutions. More specifically, I consider the impact of labour market organization and electoral system.

2.5 Institutional interactions

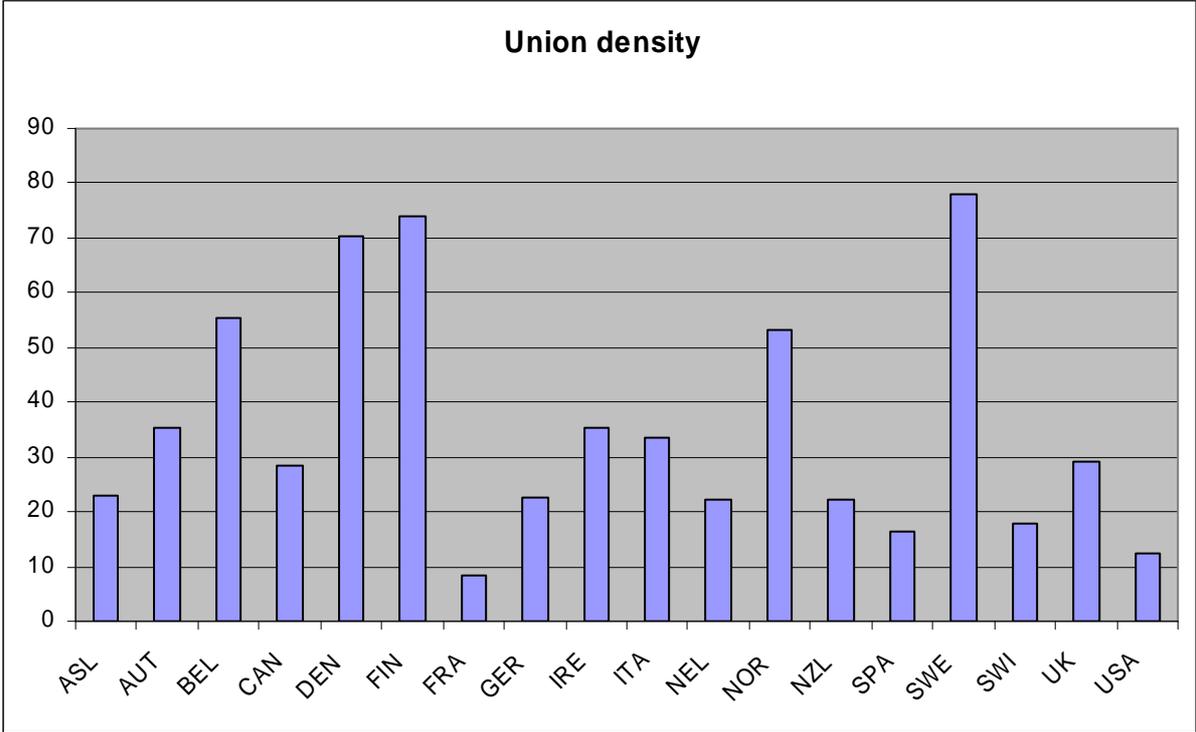
The idea that institutions matter is a widely used conclusion in the literature (see, for example, North 1990 or Przeworski 2003). Institutions are the set of rules that determine the processes of rule-making and enforcement, and act as the mechanisms that aggregate preferences and link politicians to constituencies. Many authors have adapted the idea of institutional constraints to different policy areas (see Calmfors & Driffill 1988, Iversen & Soskice 2006 and Wallerstein 1999). The question remains, how much institutions matter for explaining HSI policy outcomes. This analysis only concentrates on labour market organization and electoral system because they share one common feature: the representation of specific actors and the resulting potential for coalition building between groups. Various degrees of union or employer centralization/ coordination lead to different representation of high-skilled workers and industries and determine the potential for coalitions. Conversely, electoral system and the role of political parties have a varying propensity to represent the interests of different groups and induce different circumstances for forming coalitions. Institutions affect policy winners in the political contest.

2.5.1 Labour Market Organization

Varying HSI preferences of high- and low-skilled labour and capital sectors can be intensified through their representation by unions and employers' associations, respectively. Hence, the organization of the labour market becomes an important indicator for policy outcomes. The literature has analyzed extensively the impact of individual indicators of unions and employers' associations on policies (see Iversen 1999, Rueda & Pontusson 2000 and Wallerstein, Golden & Lange 1997). The following contribution on HSI is pertinent because labour market institutions determine the extent to which coalitions matter for explaining HSI outcomes. I consider union density and the centralization/ coordination of unions and employers, as they are the most important factors for HSI policy outcomes.

First, it is significant to assess the share of high-skilled labour represented by unions, i.e. union density among high-skilled workers (thereafter HS union density). Density is defined as "union members who work as employees divided by the total number of wage and salary earners" (Wallerstein 1999: 659). If general union density is high, then the likelihood of high-skilled workers being union members also increases. HS union density is especially high in Scandinavia (up to 80 percent)¹², where multiple confederations are divided along occupational lines, with separate peak associations for blue-collar workers, white-collar workers and workers with university degrees. High HS union density means that the union movement among high-skilled workers is strong (workers are members of skilled and professional unions) and carries considerable power to influence policy-making. Hence, high-skilled workers in particularly affected sectors gain representation in unions. Yet, in other countries, low-skilled workers constitute the main union members and thus display other HSI preferences (e.g. Spain). In this case, low-skilled workers can be positively affected by HSI and unions will adopt more open positions.

Figure 2: Union density in OECD countries (2003)



Source: Visser 2006: 45.

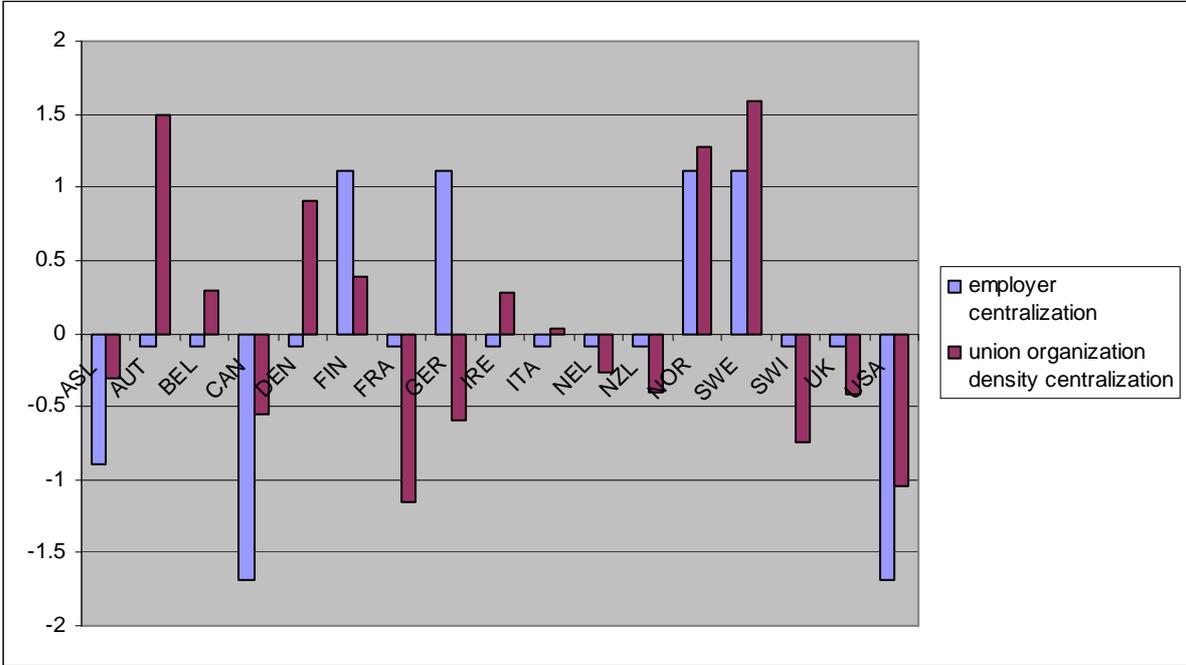
Overall, peak confederations of unions tend to behave as encompassing organizations (Olson 1982). Encompassingness is the “degree to which a peak federation or union, encompasses a diversity of interests and constituencies. It is the extent to which unions encompass the work force, measured by the percentage of workers who are union members and the percentage who are covered by collective bargaining agreements” (Wallerstein, Golden & Lange 1997: 381). According to Mancur Olson (1974), an organization representing all workers (or businesses in a sector) will be less restrictive because it has “some incentive to make the society in which they operate more prosperous” and take into consideration the (long-term) interests of broad societal groups (Olson 1982: 74). Based on this logic, associations should display more open positions because HSI can lead to more innovation, economic growth and progress, and benefit the whole society. Since the organization is so encompassing, it cannot neglect the common good because it can otherwise hurt the largest group: HSI can benefit low-skilled labour due to increased employment opportunities.

However, Olson’s assumption of the solidaristic behaviour of organizations does not hold for highly unionized countries where unions include high-skilled workers to a greater extent (such as Scandinavia). In this case, particular unions adopt more restrictive HSI positions since they cannot easily neglect the restrictive preferences of their high-skilled members. Therefore, I claim that high union density (i.e. powerful high-skilled members) and high centralization/ coordination (i.e. greater decision-making power vis-à-vis employers) lead to more restrictive HSI policies. If unions represent high-skilled workers to a large extent, then they will support more restrictive HSI policies in order to protect the wages and employment conditions of their members. Union opposition against HSI has taken place in several countries.

On the other hand, if high-skilled workers are covered by unions to a smaller extent, then these will less likely adopt a restrictive position. The main union confederation in Germany, DGB, has to cater to a heterogeneous group of members, including workers with different skill levels. The position has been more open towards HSI because the DGB has been trying not to hurt the large number of (low-skilled) members who can profit from high-skilled immigrants. It considers the common good for all workers, exhibited by the introduction of the Green Card for IT specialists in 2000. The DGB can follow cues from the largest union in the confederation (IG Metall), but it only covered high-skilled IT workers to a small degree and so the outcome was a liberalized policy towards IT immigrants.

Second, the extent of associations' power in HSI policy-making depends on the labour market organization across countries, especially the centralization/ coordination of unions and employers. Both organized workers and employers have specific HSI preferences and demonstrate different centralization levels across OECD countries. Kenworthy (2003) and Swank & Martin (2004) classify union and employers' centralization as the score of presence of national union and employers' federation and the peak federation's powers over members (i.e. appointment power, veto power of collective bargains and lockouts, own conflict funds). I treat centralization/ coordination as one variable since the outcome of high centralization or high coordination levels is often similar. Where employers and unions are highly centralized/ coordinated, I expect different outcomes for policies than in decentralized countries, in which they do not have much formal and coordinated input and need to turn to other means to lobby the government for their preferred position. As displayed in Figure 2, some countries have high union and employers' centralization (e.g. Scandinavian countries), whereas others are low on both dimensions (e.g. France and the US). Nonetheless, no national employers' peak associations exist in Canada and in the US (Ebbinghaus & Visser 2000).

Figure 3: Centralization of unions and employers' associations (1980-1998)



Source: Swank & Martin 2004: 599.

The organization of both labour and employers is important for the HSI analysis. Employer centralization/ coordination goes hand in hand with same union measures. The most

restrictive HSI policies will likely take place in countries with high union and employer centralization/ coordination. This result can be seen in Scandinavian countries, where skilled/ professional unions representing high-skilled workers were against more liberalized HSI policies. As unions have been very powerful and employers could not pass any policy without their consent (both are included in negotiations and bargaining with the government), the outcome turned out to be HSI restrictive because unions used to be opposed to (high-skilled) labour immigration and acted against employers. Only recently have some Scandinavian countries liberalized their HSI policy to a certain extent. More specifically, this change was possible due to a shift from the previous coalition between high- and low skilled labour to a coalition between high-skilled labour and capital. The coalition partners negotiated different trade-offs for reaching a common position. High-skilled labour agreed to liberalize HSI, but bargained with capital for attaching restrictive conditions to the employment conditions and wages of immigrants.

There could be different reasons (or a combination of them) for the previously described change: (1) Unions have become weaker, i.e. union density and centralization levels have decreased in recent years in some countries. As a result, they are not in such a strong bargaining position against employers (and other peak confederations) as they used to be. (2) Unions have realized that the domestic economy was suffering because it cannot produce native workers in the numbers and with educational levels desired in such a short period of time, thus labour shortage would have a negative impact on the country. Unions have seen they are harming their members (especially low-skilled workers) and the overall economy. (3) International trade openness has increased, which is responsible for heightened international competitiveness and pressure for increased productivity. Countries have to respond to these pressures to larger extent than some years ago.

In Mediterranean countries, both union and employer centralization/ coordination are low. Unions are generally weak and are not included in policy-making to a large degree. It is hard for associations to provide centralized resistance, especially since they represent mainly low-skilled workers and compete among themselves for members. For example, French unions criticized the new 2006 legislation which allowed a higher number of high-skilled workers into the country, but did not grant them many rights, such as permanent settlement (Viprey 2006). Even if sectoral associations argued for more open HSI policies, they did not have the necessary political and financial resources to change the extent of state intervention into policy-making. In countries with weak union movements, the organization of both workers and employers will be important for HSI policy outcomes. In countries with no employers' associations, powerful interests groups (such as large firms) with shared interests for particular policy proposals usually build temporary coalitions in order to combine their political and financial resources and lobby relevant policy-makers (Hula 1999).

In countries with low unionization, the restrictive preferences of the high-skilled group are not discarded. High-skilled workers can gain representation of their preferences in professional associations, i.e. "interest groups that can exercise economic and political power" (Freidson 1986: 225). These exist for professions such as engineers, IT specialists, scientists, doctors, lawyers or architects, and can act in a similar way as labour unions for the protection of their members. Professional unions/ associations also act as occupational cartels for the protection of their high-skilled members from competition by others (Freidson 1986). They display a strong credential system that often does not allow outsiders (such as immigrants) to use their previous education and training. This means that many high-skilled immigrants start in low-

skill jobs in the short-run and can only move up to a position corresponding to their high-skill level in the long-run, as is the case in Scandinavian countries.

In highly centralized/ coordinated countries, unions are involved in policy-making and have the necessary power to lobby for their interests. In decentralized countries, unions and professional associations have to organize themselves in order to lobby political parties in government if they wish to achieve their goals. For example, high-skilled workers are represented through specific unions in Scandinavian countries, while professional associations lobby for the interests of their members in other countries, such as the UK or the US. However, in the end, the government yielded to the lobbying of employers for more open HSI policies. In the US, professional associations lobbied against H-1B visa increases, but they were less organized and powerful than employers and hence did not achieve their desired HSI restrictions.

2.5.2 Electoral System

Unions and employers’ associations do not cover the interests of workers and industries to the same extent across countries. However, these groups can signify important constituencies for political parties, even though their degree of representation differs depending on the electoral system. Therefore, I also take into account institutional constraints through the electoral system as part of the interaction between HSI preferences and HSI outcomes. This section applies the literature on electoral systems to the area of HSI and draws on the works by Bawn & Rosenbluth 2003, Lijphart 1994 and Norris 2004. The electoral system is “the set of methods for translating the citizen’s votes into representatives’ seats” (Lijphart 1994: 1). I argue that the electoral system affects the party composition of governments and as a result, HSI policies. HSI policy outcomes broadly indicate that (1) majoritarian systems have more open policies, and (2) proportional representation (PR) systems display more restrictive policies (even if there is variation in the extent of openness inside the groups). It matters for open or restrictive HSI policy whether a political party with a significant high-skilled constituency has representation in single-party or coalition government. Table 3 divides countries into two main categories: majoritarian and PR electoral systems.

Table 3: Distinction between electoral systems

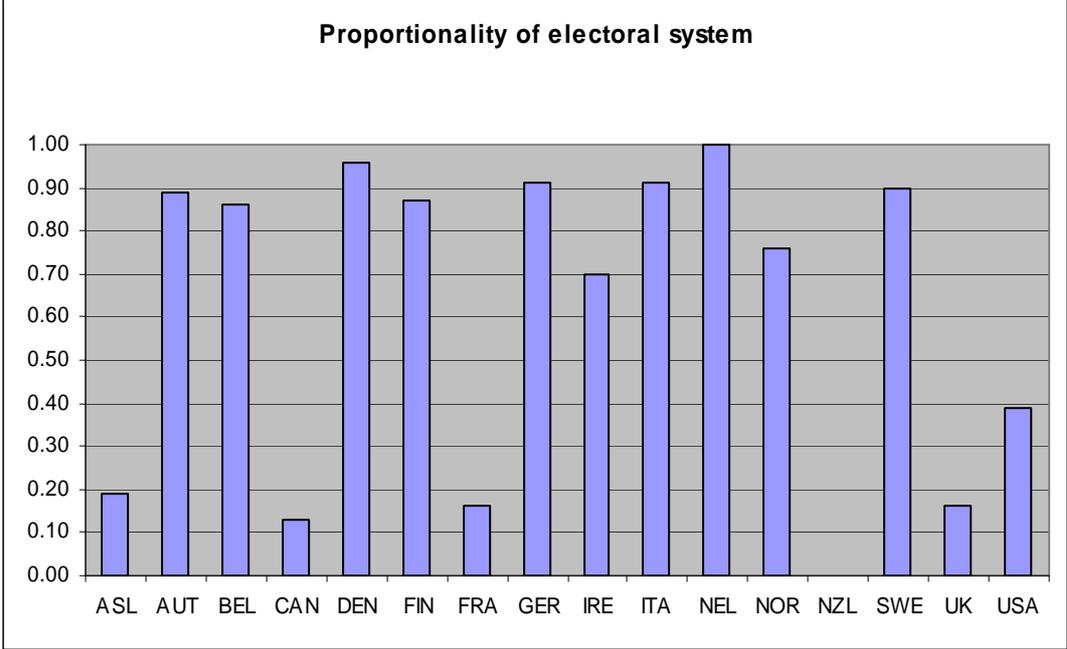
Majoritarian	Proportional
ASL	AUT
CAN	BEL
FRA	DEN
IRE	FIN
NZL	GER
UK	ITA
USA	NEL
	NOR
	SPA
	SWE

Source: Iversen & Soskice 2006: 173.

Figure 4 indicates the degree of proportionality in the electoral system. Proportionality “summarizes the degree to which each party’s share of seats corresponds to its share of votes”

(Norris 2004: 88). In general, majoritarian countries (i.e. Australia, Canada and the UK) are less proportional than PR systems (i.e. Germany, the Netherlands and Sweden).

Figure 4: Proportionality of electoral system



Source: Iversen & Soskice 2006: 173.

The higher the degree of proportionality, the higher should be the correspondence of votes to seats. Therefore, the representation of preferences of particular actors should be greater in proportional countries than in majoritarian countries. The type of electoral system matters for the representation of high-skilled groups in the political system and has an impact for the further analysis on HSI policy outcomes. High-skilled workers can constitute an important constituency for political parties since they tend to earn higher incomes, to contribute more in taxes and to use less welfare benefits than low-skilled workers. Nonetheless, even if the recent OECD average of tertiary educated citizens is 19 percent (OECD 2006), the number of native workers affected by HSI is likely to be smaller due to the narrowed analysis to particular competitive sectors and higher degrees.

The composition of governments and parties' core constituencies determines the outcome of HSI policies. As stated under the assumptions in earlier section, I expect different groups of labour or capital to signify core voters for political parties. The final HSI outcome will then depend on the type of electoral system. This is important for HSI policies for two reasons: (1) the degree of constituency representation is reflected in parties' HSI position and (2) the extent of translation of HSI preferences into policies is based on the type of government. This analysis proceeds with the usual assumption in the literature that majoritarian systems tend to go together with two-party systems and single-party majority governments; and PR systems are usually linked with multi-party systems and coalition governments (see Cox 1990, Duverger 1954 and Riker 1984). Nevertheless, some PR countries have had single-party governments (e.g. Austria and Sweden) and some majoritarian countries have experienced coalition governments, such as Australia and Ireland (Iversen & Soskice 2006).

Single-party governments in majoritarian systems tend to present themselves as encompassing of society's interests (Bawn & Rosenbluth 2003). Coalitions are usually formed before elections since groups have an incentive to join forces to increase their influence: majoritarian systems represent coalitions within parties. The main parties need to win the support of several groups with various interests since they seek an absolute majority of votes. As a result, the government portrays HSI as beneficial for the society as a whole because high-skilled immigrants are associated with economic growth, innovation and progress for the receiving country. If parties are trying to aggregate preferences from many groups, then the ability for the representation of a specific group is relatively low. They are especially concerned about the welfare of the society as a whole and point to the benefits of HSI, which election manifestos of main parties in majoritarian countries demonstrate. As a result, the outcome is likely to be more open towards HSI.

On the other hand, PR systems have low thresholds and large district magnitudes. Parties can be elected to parliament by targeting a smaller part of the population and stressing differences in society (Norris 2004). They present varying preferences and policy positions at the time of election, but groups engage in building coalitions after elections in coalition governments (Gourevitch & Shinn 2005). Parties are not very encompassing and tend to neglect national interest as a whole. Political parties in PR systems seem to present differing HSI positions at the time of election (e.g. Germany and Sweden). Whereas more open HSI can benefit society as a whole, especially native high-skilled workers lose due to increased competition. After elections, parties with a core constituency among high-skilled labour will be able to support their interests and achieve more restrictive HSI policies in a coalition government, where finding a policy compromise is crucial. For example, Germany's right parties (CDU/ CSU) pressed for more restrictive policies in order to protect native workers, one of their core constituencies.¹³ As parties represent different interests (at least on some terms and conditions of HSI), the final policy will be more restrictive towards HSI.

Proportionality also matters for the degree of policy change. Majoritarian systems exhibit more radical policy changes than PR systems (when considering single versus multi-party governments). They amplify small shifts of preference into bigger swings of policy (Gourevitch & Shinn 2005). When we look at the UK example, a small shift in preferences of high-skilled industries (e.g. IT) for more liberalization resulted in a large HSI policy change. A single-party government can implement its policies and does not need to consult or compromise with other parliamentary parties or societal groups. In a coalition government, at least two parties have to decide on a policy and hence have to find a compromise. Parties representing business interests to a higher extent and parties standing behind the preferences of high-skilled workers will have opposing interests in the terms and conditions of HSI policy. Nonetheless, they will have to come up with a final policy, which is likely to be more restrictive.

HSI policies have changed in several countries over time. Some countries have experienced more 'drastic' changes than others. For example, among the majoritarian systems, Ireland and the UK have quickly reformed their immigration policies and introduced more open conditions for admitting high-skilled immigrants. On the contrary, other countries with PR systems have only gradually reformed their policies, which still tend to be more restrictive than those of the previously mentioned group. Examples include Austria, Denmark and Germany. Labour market shortages in certain sectors have prompted political parties and governments to act. Especially high-skilled capital has demanded more open HSI policies in order to raise economic growth, innovation and competitiveness for the benefit of the whole

society. As a consequence, political parties representing high-skilled capital have proposed to reform HSI policies to take care of the preferences of their constituencies. Electoral system as an institution is less likely to change than preferences, but it can modify or sustain the degree of change in actor’s preferences and the final policy implementation. In addition, the type of electoral system is linked with the form of government. Over-time shifts in HSI policies are the result of: (1) in majoritarian systems, changing political parties in power representing various groups and (2) in PR systems, shifting coalition governments consisting of different parties with specific HSI preferences.

3. Preliminary Evidence

Preliminary findings indicate that not all portrayed scenarios (in Section 2.4) are empirically present. Especially winners of coalitions between high- and low-skilled labour (A1), high-skilled labour and capital (B1), low-skilled labour and capital (C1), as well as capital (A2) have appeared. For example, Sweden, Denmark, the United Kingdom/ Germany and the United States, respectively, illustrate the previously mentioned coalitions and different HSI outcomes. In addition, coalitions have shifted in some countries.

Table 4: Typology of cases and variables

<i>Union density</i>	<i>PR + high centralization/ coordination</i>	<i>Majoritarian + low centralization/ coordination</i>
High (>70%)	Sweden Denmark	
Medium - low (20- 40%)	Germany	UK
Low (<20%)		USA

A1) HS Labour + LS Labour: Sweden

Sweden does not have a specific policy towards HSI, yet. The provisions for high-skilled immigrants are included in its (labour) immigration law. Specific unions have played a strong role in opposing more open HSI in order to protect its (high-skilled) members. Nevertheless, we expect a change to occur towards greater liberalization as the new government after the 2006 elections consists of a coalition between Conservatives, Centre Party, Christian Democrats and Greens. A committee has put forward a proposal for more open labour immigration policy. However, unions would retain the right to check that immigrants were given same wages, insurance protection and other terms of employment and thus would not undercut native workers (Bucken-Knapp 2007, EMN 2006). As a result, a coalition between high-skilled labour and capital could take place since they are both included in policy-making (similar to Denmark).

A2) Capital: United States

Unions and employer associations have little power, but capital can profit from HSI. Therefore, a change in HSI policy has taken place when powerful IT companies lobbied political parties for more open HSI policies and offered financial contributions in return. The IT business lobby was a new actor during the 1990s and was successful in getting the 65,000 cap on H-1B visas raised first 77 percent in 1999 and then an additional 69 percent in 2000 (Lowell 2001). On the other hand, professional and union associations in the US representing high-skilled workers (e.g. Institute of Electrical and Electronics Engineers, Washington

Alliance of Technology Workers and American Engineering Association) have been at the forefront of opposing H-1B increases. However, in this decentralized system, employers have been better organized and more powerful than unions and professional associations and won their quest for H-1B increases in the end (Freeman & Hill 2006).

B1) HS Labour + Capital: Denmark

In Denmark, some high-skilled unions have become willing to liberalize HSI policy in order to secure future welfare and economic development. These include Danish Society of Engineers, IDA, in cooperation with The Industry Trade Union for skilled workers, Dansk Metal. Most unions express a lot of concern about labour immigration in their specific field. For example, PROSA, the Association of Computer Professionals, has linked the question of immigration to the enlargement of the EU in two high profile statements: (1) foreign specialists should not dump wages and (2) Danish unemployed IT-specialists must be given preferential treatment over foreign specialists (Stenum 2005: 16).

In January 2005, The Danish Society for Engineers, together with the National Employers Organization DA and DI, the Trade Union Danish Metal and the Ministry of Integration arranged a conference titled: 'Denmark needs the clever ones from the whole world.' Presenters included the Minister of Integration, representatives from supportive organizations and CEOs from businesses (such as Microsoft) who all spoke about the need for high-skilled labour migrants in the future. Overall, the event was a rare opportunity to discuss labour immigration (Stenum 2005).

C1a) LS Labour + Capital: United Kingdom

The UK seems to have experienced shifts in coalitions. From the initial lobbying of capital for more open policies due to labour market shortages, the debate has now extended to include unions as well. For the first time in 2005, the New Labour government has consulted the trade union (TUC) and the employers' association (CBI) on migration policies who both agreed on the need to manage migration. The country has a (loose) social partnership between unions, employers and the government, even if unions are now rather weak. The union confederation represents mainly low-skilled workers (62 unions in total) and is interested in providing information on employment rights, representation and membership. On the other hand, the employers are keen on recruiting migrants in order to fill labour market shortages in particular sectors of the economy (Ensor & Shah 2005, Layton-Henry 2004). The outcome has been an open HSI policy.

C1b) LS Labour + Capital: Germany

A debate emerged in 2001 on extending the scheme to other sectors after the introduction of the Green Card for IT workers. Unions feared that high-skilled immigrants could lead to lower pay, undermine the wage standard and, if the scheme was extended to other branches where unions were better represented than in the IT sector, weaken collective agreements. The DGB cooperated with employers and found a common ground for reformed immigration policy in the end (Behrens 2001). In Germany, the coalition between (low-skilled) labour and capital for more liberal HSI did not help them to achieve a major HSI policy reform (new legislation came into force in 2005) due to the opposition of the (Christian-Democratic) party that argued for the protection of native high-skilled workers. Therefore, a change in HSI policy was possible when political parties in the coalition government (and both chambers) agreed on a compromise. In the end, Germany adopted a more restrictive HSI policy (Cyrus & Vogel 2005, Hess & Sauer 2006).

4. Conclusion

This paper has set up a theoretical framework for analyzing differences in OECD countries' HSI policies over time. It has offered a contribution to the political economy literature in general and more specifically, to the immigration literature. High-skilled labour immigration remains largely unexplored in political science. This framework seeks to provide a starting point for a fruitful research path that analyzes HSI through a political-economy lens. By portraying a coalitional argument, I have offered a more enriching explanation for differences between countries' HSI policies than the existing literature on partisanship and structural economic factors provides. In particular, this paper challenges the common partisanship literature by offering a disaggregation of labour and capital into high-and low-skilled sectors. I expect to demonstrate diversity in HSI outcomes, rather than convergence toward a single policy for the following reasons: (1) the preferences of native high-skilled labour, native low-skilled labour and capital differ and shift over time, (2) six different political coalitions are possible and (3) institutions intermediate between preferences and outcomes.

The paper raises some important points. With increasing labour market shortages, the international competition for the 'best and brightest' will continue to be fierce (Mahroum 2001). Yet, some coalitions between actors and political-economic institutions impede further HSI liberalization in different countries. This raises the question whether these countries will fall behind in the global economic competition. On the other hand, will political parties/government neglect the interests of native (high-skilled) labour as they increasingly succumb to the pressure of capital? Since labour market shortages threaten economic growth and progress of countries, respective governments will have to respond to the demands for more open HSI. They will also have to react to the preferences of high-skilled workers for more restrictive policies. The numbers for HSI are already significant in some countries and are likely to increase in the future in others¹⁴. This can heighten tensions within countries between labour and capital over the desired HSI policy. It will be up to political parties in government to reconcile these tensions. In addition, labour market institutions could play a larger role in the representation of affected groups. If an increasing number of high-skilled workers organize in professional unions/ associations, they can become more powerful actors in lobbying the government. For example, the American Medical Association is a significant collective actor in the US.

Overall, HSI is a significant policy area since international competition for the 'best and brightest' is expected to increase and thus to remain on government's agenda due to limited alternatives for HSI in the short-run (Chiswick & Hatton 2003). Therefore, the processes and the support of different groups need to be better understood by policy-makers, political parties and voters. This paper has offered a first step in this direction by providing some preliminary evidence, but more detailed research will have to be undertaken in the future. Other types of countries would also provide valuable test cases, such as PR countries with low centralization/ coordination and low union density (e.g. Spain). Besides case studies, a quantitative analysis testing the propositions could also be undertaken. This paper has focused on national HSI policies, but future research could analyze attempts at other levels of governance. For example, the EU has proposed a Green Card for high-skilled immigrants. Due to the discussed differences in coalitions and institutional factors, an agreement on a single EU policy is questionable. In addition, advances on policies have also been made at the international level, with limited success to date. The analysis emphasizes some of the opportunities and challenges that HSI presents for advanced industrial countries and has offered suggestions for a debate.

Notes

¹ Among the OECD countries, I focus on the ‘usual suspects’: Australia (ASL), Austria (AUT), Belgium (BEL), Canada (CAN), Denmark (DEN), Finland (FIN), France (FRA), Germany (GER), Ireland (IRE), Italy (ITA), the Netherlands (NEL), New Zealand (NZL), Norway (NOR), Portugal (POR), Spain (SPA), Sweden (SWE), Switzerland (SWI), the United Kingdom (UK) and the United States (US).

² In the case of the European Union (EU), most member countries experience labour market shortages. Hence, HSI policies are increasingly designed to target ‘third-country nationals’, i.e. immigrants from outside the EU.

³ These can be classified under ‘Human Resources in Science and Technology’ (HRST), which extends to everyone who has successfully completed post-secondary education (or is working in an associated S&T occupation); at its narrowest it covers only those with at least university-level qualifications in natural sciences or engineering (or working in an associated S&T occupation) (OECD 1995:8). For example, these sectors include information technology (IT), mathematical sciences and engineering, life and physical sciences, and medical sciences.

⁴ I concentrate on temporary HSI policies designed for filling labour market shortages in different sectors across OECD countries. Temporary immigration can signify between three months and five years (Smith & Favell 2006: 15). Nevertheless, immigration can shift from temporary to permanent after several years.

⁵ For example, Timmer and Williamson (1998) conclude that [US] immigration policy was consistently influenced by neither conventional macro-economic conditions nor xenophobic or racist feelings in the receiving country. Instead, income distribution was particularly important in some countries who were trying to protect the wages and the skill premium of native workers.

⁶ “On the surface, highly skilled foreign professional and business people present much less of a problem than manual labourers... Immigrant scientists, engineers and physicians reinforce the nation’s supply of scarce talent and mix easily with the domestic population by becoming dispersed throughout the country. Finally, the majority of these immigrants come legally; hence, the problems associated with the unauthorized do not materialize” (Portes & Rumbaut 1996: 293). Thanks to Timothy Hatton for this reference.

⁷ Even though no direct evidence or index exist that measure the preferences for HSI policies of high- and low-skilled sectors of labour and capital, I work those out deductively by basing them on the distributional consequences for these groups. In addition, I assume that the distributional preferences do not vary across countries.

⁸ Broadly speaking, left parties are Social Democratic/ Socialist/ Labour and right ones are Conservative/ Christian Democratic parties, but it would be better to analyze partisanship on a left-right continuum.

⁹ For example, IT sub-sectors prone to outsourcing are: application maintenance, custom application development and system integration. On the other hand, IT consulting, traditional IT outsourcing and sales and marketing have lower outsourcing potential and constitute about 50% of all sector employment, thus the overall IT outsourcing potential is unlikely to increase

(Farrell et al 2005: 147). In addition, company-specific barriers for outsourcings include unsuited processes, manager's attitude or insufficient scale (Farrell et al. 2005: 25).

¹⁰ Thanks to Adam Luedtke for this point (among others).

¹¹ 'Restrictive' means any limitation of HSI on any or combination of these dimensions: 1) mechanisms, 2) selection and 3) rights. 'Open' is defined as the opposite (see Ruhs 2006 for more detailed explanation).

¹² High HS union density is assumed for Scandinavia if we combine the union rates of skilled and professional unions (ranging between 24% and 50%), as compared to rates between 50% and 66% among the main (low-skilled) confederations.

¹³ Even though the CDU/ CSU were not part of the coalition government at that time, they were nonetheless important for voting on HSI policy because of their majority in the upper house. Germany's bicameralism further complicates the issue.

¹⁵ In 2001, HSI expressed as a percentage of the total high-skilled workforce was particularly significant (over 20%) in Australia, Luxembourg, Switzerland, Canada and New Zealand (Dumont & Lemaitre 2005:13).

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